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Nicole Galloway, CPA
Missouri State Auditor

Office of Secretary of State



January 2016

Report No. 2016 - 001

<http://auditor.mo.gov>



CITIZENS SUMMARY

Findings in the audit of the Office of Secretary of State

Business Services Division Electronic Payment Collections	The Business Services Division of the Secretary of State's office (SOS) did not have adequate procedures to ensure electronic payments for business filings were correctly allocated to two state funds. Net allocation errors resulted in at least \$120,000 wrongly allocated to the General Revenue Fund rather than the SOS's Technology Trust Fund. After auditors alerted SOS personnel to the errors; in July 2015, the office implemented procedures to address the issue.
Incomplete Documentation	The SOS did not maintain complete documentation to support salary increases provided to many employees. Auditors reviewed documents and spoke with SOS personnel regarding a sampling of raises and found that the office did not always adequately document the reasons increases were given. Memos written to support raises for reasons other than promotion did not contain critical information, including who prepared and reviewed the memos and the dates they were written. For many raises, the documentation was inadequate, lacking clear detail and/or conflicting with other documentation or explanations provided by SOS personnel. For example, 10 raises for increased workload, additional duties and/or responsibilities were not supported by documentation detailing the workload increases or specific additional duties/responsibilities.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jason Kander, Secretary of State
Jefferson City, Missouri

We have audited certain operations of the Office of Secretary of State in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2015, 2014 and 2013. The objectives of our audit were to:

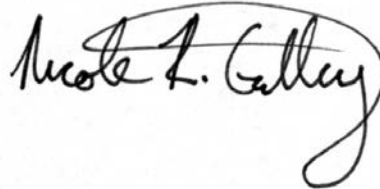
1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, contracts, and other pertinent documents; interviewing various personnel of the office; analysis of comparative data obtained from external and/or internal sources; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Secretary of State.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Office of Secretary of State

Management Advisory Report

State Auditor's Findings

1. Business Services Division Electronic Payment Collections

The Secretary of State's office (SOS) did not have adequate controls and procedures over Business Services Division (BSD) collections of electronic payments (e-payments) and amounts collected were not allocated between state funds correctly. The net result of the errors caused the General Revenue Fund (GRF) to receive at least \$120,000 that should have gone to the SOS's Technology Trust Fund (TTF).

The BSD collects fees totaling approximately \$10 million per year for numerous types of business filings. BSD customers file documents and make payments through the SOS online business filing system, by mail, or at the BSD office. The BSD accepts e-payments (credit cards and e-checks), cash, checks, and ACH payments. The SOS began accepting e-checks for Uniform Commercial Code (UCC) filings in November 2011 and all other business filing types, except notaries, in June 2014. In fiscal year 2015, BSD collections were approximately 60 percent e-payments, 30 percent cash/check, and 10 percent ACH.

Business filing fees range from \$2 to more than \$200, depending on the filing type. Various state statutes authorize business filing fee amounts and require the fees to be deposited into the state GRF. Pursuant to the authorizing statutes, the BSD collects an additional \$5 per filing (\$10 per biennial filing) to be deposited into the TTF. Annual deposits into the TTF by the BSD and other divisions averaged \$2.5 million during the 3 years ended June 30, 2015.

Business filing fee receipts are recorded in the computerized business filing system. The BSD began utilizing the current system for UCC filings in November 2011; and all other business filing types, except notaries, were moved from the old system to the current system in June 2014.

A BSD supervisor prepares daily deposits of cash and checks received. The BSD receives daily electronic remittance reports of e-payment collections from the e-payment services vendor. The supervisor records and allocates all BSD receipt amounts by fund in the statewide accounting system. Fiscal and Facilities Division personnel review BSD receipt and deposit documentation, and approve the related entries in the statewide accounting system.

1.1 Fund allocation errors

The SOS did not have effective procedures and oversight to ensure deposits of BSD e-payment collections were allocated between state funds correctly. As a result, amounts were allocated between the TTF and the GRF incorrectly.

BSD personnel made the errors when manually calculating e-payment allocations. During the audit period, BSD personnel used daily filing system closeout report information to allocate cash, check, and ACH collections between state funds. For e-payment collections, BSD personnel manually



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calculated allocation amounts based on e-payment remittance reports rather than system closeout reports because of timing differences between the reports (system closeout reports generate at 3 p.m. each day, while e-payment remittance reports generate at 12 a.m.). BSD reconciliations and Fiscal and Facilities Division personnel reviews of manual allocations did not detect the errors.

SOS personnel quantified amounts for miscalculations identified by the audit; however, because these amounts did not include all errors, the full impact is unknown. Though miscalculations were made in allocations to both funds, the net result was an over-allocation to the GRF and an under-allocation to the TTF.

Procedural weaknesses

The allocation errors resulted from the following weaknesses in manual calculation procedures:

E-checks

SOS personnel allocated e-check collections 50 percent to the TTF and 50 percent to the GRF, instead of \$5 per filing (\$10 per biennial filing) to the TTF and the remainder to the GRF. (The 50/50 allocation was correct for single \$10 UCC filings, but incorrect for all other filings.) The error amount increased substantially in June 2014, when non-UCC filings were added to the current business filing system; and again in January 2015, when many customers began paying by e-check rather than credit card.¹

Credit Card Prepayments

SOS personnel allocated most of one customer's credit card prepayments based on the number of prepayments, rather than number of filings. Each month, the customer made one or two prepayments for business filings throughout the month. For the prepayments incorrectly allocated during the period January 2012 through May 2015, allocations were based on 50 prepayment transactions rather than the related 36,494 filings, according to SOS records. SOS personnel indicated the error began in January 2012, when adjustments previously made to correctly allocate this customer's prepayments were inadvertently discontinued due to a change in personnel.

Biennial Reports

For each credit card transaction, SOS personnel allocated \$5 to the TTF and the remainder to the GRF. However, biennial filings should have been allocated \$10 to the TTF and the remainder to the GRF. SOS personnel indicated the error began in June 2014, when non-UCC business filings

¹ Beginning in January 2015, pursuant to Section 37.007, RSMo, the SOS requires customers to pay for credit card and e-check administration fees charged by the department's e-payment services vendor. These fees were previously paid by the SOS. Since January 2015, the SOS experienced increased e-check payments and decreased credit card payments because the e-check fees are lower.



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were added to the current business filing system. They stated prior to June 2014, monthly adjustments for biennial filings were made; however, these adjustments were inadvertently discontinued when the current system was implemented.

Error amounts quantified by
SOS

After we informed SOS personnel of the allocation errors, SOS personnel reviewed BSD e-payment activity dating back to fiscal year 2012. The quantified amounts reflect a net over-allocation to the GRF and under-allocation to the TTF.

BSD fund allocation errors¹

Fiscal Year		E-checks	Credit Card Prepays	Biennial Reports	Net Total
		Over-allocated TTF/ Under-allocated GRF	Under-allocated TTF/ Over-allocated GRF	Under-allocated TTF/ Over-allocated GRF	Under-allocated TTF
2012	\$	3,203	15,719	0	12,516
2013		4,297	51,927	0	47,630
2014		6,917	55,296	1,360	49,739
2015		164,970	59,278	116,690	10,998
Total	\$	179,387	182,220	118,050	120,883

¹ As noted below, additional error amounts have not been quantified.

Error amounts not quantified
by SOS

The above BSD amounts quantified by SOS personnel, except for credit card prepayments, did not include all allocation errors because SOS personnel calculated amounts based on the number of transactions rather than number of filings. This method assumed each e-payment transaction included only one filing, and did not consider those with more than one filing. As a result, we estimate the SOS understated the net total under-allocation to the TTF by at least \$40,000 for e-check and credit card biennial report transactions. Information was not readily available to estimate additional error amounts for other credit card transactions.

SOS personnel could have accounted for transactions with multiple filings when quantifying the error amounts. Staff indicated they did not because (1) system reports of the number of e-payment filings did not include refunds issued, (2) system data had not been reconciled to e-payment vendor remittances or the statewide accounting system, (3) the process would be labor intensive and time consuming, (4) the calculations were consistent for all error types, and (5) the TTF balance is near its \$5 million statutory maximum. Staff indicated quantification of these additional errors would result in additional amounts due to the TTF from the GRF, and any amounts that cause the TTF balance to exceed the maximum would have to be returned to the GRF.

Conclusions

Each day, BSD personnel reconciled e-payment collections per BSD business filing systems to e-payment remittances and the statewide accounting system in total, but not by fund. This weakness contributed to



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the SOS's inability to detect the fund allocation errors. Additionally, Fiscal and Facilities Division personnel reviewed and approved all deposits and statewide accounting system records of BSD collections, but these reviews did not detect the allocation errors.

Beginning in July 2015, SOS personnel implemented various procedures to address the allocation issues identified in the audit. System closeout reports are prepared daily at 12 a.m. to coincide with the remittance reports from the e-payment services vendor; and BSD personnel now allocate all deposits, including e-payments, based on system closeout report information. Fiscal and Facilities Division personnel now ensure daily system closeout reports have been reconciled to e-payment remittance reports and the statewide accounting system, and receipts have been allocated between state funds in accordance with the daily system closeout reports. SOS officials indicated they worked with the customer paying by credit card prepayments to pay by ACH effective July 1, 2015, simplifying the allocation process.

On June 22, 2015, the SOS notified the Office of Administration (OA) of the allocation errors and the needed transfer(s) from the GRF to the TTF to correct the errors. As of September 2015, corrections totaling \$37,600 had been made by the OA and the SOS, and the remaining \$83,283 net quantified error amount had not been corrected. SOS personnel indicated a full correction could not be made due to limitations of OA appropriation amounts for making such corrections.

To ensure future BSD collections are properly allocated in accordance with state law, the SOS should ensure newly established allocation procedures are followed. The SOS should further review BSD deposits and determine additional error amounts not quantified. In addition, the SOS should continue to work with the OA to transfer the remaining \$83,283 due from the GRF to the TTF, plus any additional error amounts identified.

1.2 System reports

SOS personnel do not generate reports from the BSD business filing system to monitor BSD activities and collections.

SOS personnel indicated, other than daily system closeout reports, they do not routinely or periodically generate reports from the business filing system. During the audit, we made various requests for system data. SOS personnel initially indicated they could not provide the requested data because the system was not capable of generating reports or they did not know how to pull the information from the system. For some requests, SOS personnel subsequently provided the requested data.

To adequately monitor BSD activities, collections, and deposits, periodic reports of transactions processed in the system should be generated and reviewed. Such reports could be used to perform various monitoring procedures such as reconciling, analyzing, and validating system data.



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Monitoring of system data is necessary to ensure compliance with BSD procedures and state law.

Recommendations

The Office of Secretary of State:

- 1.1 Continue to perform the new procedures to ensure all BSD receipts are properly allocated between state funds. The SOS should further review BSD activity and determine additional error amounts not quantified. In addition, the SOS should continue to work with the OA to transfer the remaining \$83,283 due from the GRF to the TTF plus any additional error amounts identified.
- 1.2 Work with the business filing system programmer to generate reports of BSD business filing system data and utilize the reports to monitor BSD activities and collections.

Auditee's Response

- 1.1 *The SOS has implemented and will continue the new procedures to ensure that all BSD receipts are allocated between the TTF and the GRF. This under allocation to the SOS TTF began prior to this administration and once it was identified, it was immediately addressed by this office. Ultimately, the error resulted in the SOS sending too much money to the GRF instead of keeping those funds for the office. Our office has requested that the OA transfer \$120,883 from GRF to the TTF. Our office will continue to work with the OA to transfer the remaining \$83,283 from GRF to TTF. The State Auditor's Office (SAO) also recommended that this office continue to quantify and reallocate funds for this time period. However, such a determination would likely continue to be an under allocation to the SOS's TTF and not to GRF.*
- 1.2 *The SOS has developed and will continue to utilize reports to monitor BSD activities and collections. The SOS will continue to review whether any future reports are necessary and will work with the contracted maintenance provider to ensure any such reports are created, tested, and utilized.*

2. Incomplete Documentation

The SOS did not completely document salary increases provided to many employees. The SOS lacked a complete record of the reasons for some salary increases given. SOS salaries and wages totaled approximately \$9 million annually during the 3 years ended June 30, 2015. As of June 30, 2015, the SOS had 239 employees.

In addition to cost of living adjustments,² the SOS provided 239 additional salary increases to 161 employees during the period July 2012 to April 2015, according to records provided by SOS personnel. We reviewed

² Cost of living increases of 2 percent in July 2012, \$500 in January 2014, and 1 percent in January 2015 were provided to most state employees.



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supporting documentation and interviewed the Human Resources Director and other SOS personnel regarding raises provided to 27 employees that received 60 raises.

SOS personnel and/or documentation provided indicated these 60 raises were granted for the following reasons: 16 for employee promotions to new positions, 33 for additional job duties and/or responsibilities, 4 for salary equalization/retention of director-level employees, 6 for increased workloads, and 1 for taking the bar exam. Of these 60 raises, 13 were second and third phase raises provided to employees 1 to 14 months after their initial raise.

SOS personnel provided personnel action request forms, memos, and/or signed job descriptions for the raises; however, this documentation was not adequate for many of the salary increases reviewed. While documentation supporting all 16 promotions reviewed was sufficient; we identified weaknesses in the documentation for the remaining 44 raises reviewed. None of the memos prepared to support the 44 raises were dated or included the name of the preparer, or reviewer if applicable. SOS personnel could not tell us when the memos were prepared.

For 18 of these 44 raises, the documentation to support the reasons for the raise was inadequate. Because the documentation lacked clear detail regarding the reasons for the raises and/or contained conflicting information, we had to obtain additional information from SOS personnel. In some cases, the verbal explanations they provided differed from the written documentation.

- Documentation for each of the 6 raises for increased workloads only indicated that the employee's workload increased (due to experience gained in some instances), but provided no specific information supporting the workload increase.
- Documentation for 3 of 4 raises to equalize salaries of or retain director-level employees either did not state the reason for the raise or stated "want to keep on staff."
- Documentation for 4 raises for additional duties and/or responsibilities indicated the duties of eliminated positions had been reassigned to various employees; however, no documentation detailing the specific job duties assigned to these employees was prepared. Documentation for one raise also indicated the employee would have additional responsibilities associated with the utilization of new computer software, but did not explain how these responsibilities warranted the raise given.



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- For 6 raises (1 raise also had another documentation weakness and was included in one of the previous bullet points), the reasons for the raise included in the memos conflicted with the reasons per personnel action request forms prepared and approved at the time of the raise, entered in the statewide accounting system, and/or provided by SOS personnel. For an employee that received a promotion in August 2013, a second phase raise in November 2013, and a promotion in October 2014, the personnel action request for the second phase raise indicated the employee "will be taking on additional cases and more specialized cases" while the memo indicated the raise was "second step of salary raise due to August 2013 promotion." In addition, the promotions were classified in the statewide accounting system as additional duties, rather than promotions. For another employee, memos indicated the employee received raises for additional duties assumed during reorganizations in October 2013 and May 2014, and a second phase raise in December 2014; however, the personnel action request forms stated the October 2013 raise was because the employee "does an excellent job in her duties" and the December 2014 raise was due to "increased responsibilities in current position." SOS personnel indicated they do not believe the documentation for the raises provided these employees conflicted because the employees took on additional responsibilities/workload as part of the second phase raise and/or due to their excellent work performance. However, no documentation linking these various reasons was maintained.
- For each of the 13 second and third phase raises, SOS personnel did not prepare documentation at the time the initial raise was given to indicate a second or third raise would be given if requirements were met. Instead, for most of these raises, memos prepared after the raises were given indicated employees successfully implemented the additional duties or responsibilities for which they received their initial raise. SOS personnel indicated requirements for the second/third phase raises would have been verbally communicated to the employees when the initial raises were given, but not documented. For 2 Information Technology department employees that each received 3 raises, SOS personnel told us the employees received raises in 3 steps due to changes in duties during the department reorganization. However, documentation supporting these raises did not indicate the raises were in phases or provide requirements for each phase.

Section 28.030, RSMo, grants the SOS the authority to establish employee compensation. The SOS should prepare and maintain adequately detailed documentation to support the reasons for providing each pay increase. Such documentation should be prepared and approved prior to awarding the raise and should clearly document the reason(s) for the raise. Salary increases for increased workload and additional duties and/or responsibilities should be supported by documentation detailing the workload increases or specific



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additional duties/responsibilities. For salary increases provided in phases, documentation outlining the requirements of each phase should be prepared when the initial raise is given, and documentation supporting that requirements were met should be prepared for each phase of the raise.

Recommendation

The Office of Secretary of State prepare and maintain clearly detailed documentation supporting the reasons for providing pay increases to employees.

Auditee's Response

The SOS disagrees with this finding. Since fiscal year 2013, the SOS has reduced its GRF personal services (PS) operating budget by \$203,747, returned over \$30,000 in PS to GRF, reduced positions (FTE) by 11, reorganized work load, and reinvested savings in existing personnel through salary adjustments. During Secretary Kander's administration, 67 percent of the salary adjustments were to staff making \$40,000 or less.

According to the SAO, the SOS needed to provide more documentation to justify some of the salary adjustments, including additional and increased job duties, and salary equalization or retention of qualified staff. SOS requested that the SAO provide an example of what is considered complete documentation. While the SOS agrees that what is considered complete documentation is a judgment call, SOS will enhance its already existing process.

The audit states that the SOS provided personnel action request forms, memos, and/or signed job descriptions for each salary adjustment. The SAO did not find any issue with the reasons provided for the adjustments; rather just wanted more detail in the documentation created. For each salary adjustment, proposals are discussed by applicable management staff to ensure that the changes are justified. Then, personnel action request forms, which include the reason for each adjustment, are completed, approved, and dated by multiple management staff. Further, memos that are either attached to the request form or maintained separately are completed to provide justification when necessary. To enhance this already existing process, the SOS will attach the memo which is currently prepared for each personnel action containing management that approved the salary adjustment and the date of such approval, both of which are currently on the request form.

Office of Secretary of State

Organization and Statistical Information

The Office of Secretary of State is an elective office as provided in the Missouri Constitution. Article IV, Section 14, established the duties of the Secretary of State to (1) be custodian of the state seal, (2) keep a register of the official acts of the governor, (3) be custodian of records and documents, and (4) perform such duties in relation to elections and corporations as provided by law.

To accommodate the responsibilities of record keeping, registration, and administration, the Secretary of State's office is divided into the following major divisions: Business Services, Elections, Securities, State Library, Records Services, and Administrative Rules. Some areas are composed of separate sections that perform specific functions.

Business Services Division: This division is comprised of three sections: Commissions, Corporation, and Uniform Commercial Code (UCC). The Commissions section maintains the oath of office and official signature of each notary, as well as their official bond; authenticates official acts of the governor; maintains the Great Seal of the State of Missouri; maintains bonds and oaths of office for state officials; and is responsible for the official signature, facsimile signature filings, resident agent filings, and trademark and service mark filings. The Corporations section handles the registration and maintenance of over 562,000 active businesses registered in Missouri. Businesses file various documents required by law such as creation documents, annual reports, amendments, mergers, consolidations, dissolutions, terminations, withdrawals, and conversions. The UCC section is responsible for perfecting personal property liens and other creditor interests. These liens are perfected by filing a financing statement in the accepted national format.

The division oversees regional offices for business filings in St. Louis, Kansas City, and Springfield, and the Safe at Home address confidentiality program. The Safe at Home program was created in 2007 to help protect survivors of domestic violence, rape, sexual assault or stalking, and their minors, through the use of a substitute mailing address through the Secretary of State's office.

Elections Division: This division oversees all statewide elections for both candidates and issues; prepares statewide ballots for primary, general, and certain special elections; and certifies and publishes election results. In addition, the division certifies statewide ballot measures that are proposed by the General Assembly or through the initiative and referendum petition process, including the oversight of signature verification. The division assists Missouri's 116 local election authorities in administering elections and promulgating rules governing elections and electronic voting systems; cooperates with other officials, schools, and civic organizations to provide materials to support voter registration, responsibility, and education; and



Office of Secretary of State
Organization and Statistical Information

oversees the statewide poll worker recruitment initiative. The division is also responsible for coordinating Missouri's compliance with federal election law, including the Help America Vote Act of 2002 (HAVA).

Securities Division: This division is responsible for ensuring compliance with state securities laws. This responsibility includes enforcement of the law when violations occur, and the registration of securities, broker-dealers, agents, investment advisers and investment advisor representatives. State securities laws are intended to protect investors from unsuitable investment recommendations, dishonest or unethical practices, and fraudulent investment schemes. The division is composed of the Enforcement and Registration sections. The Enforcement section receives and investigates complaints. Each year this section fields hundreds of investor complaints, many of which result in cease and desist orders, licensing revocations, civil penalties, criminal prosecutions, or investor restitution. The Registration section regulates the registration of individuals, firms, and securities. This section performs routine and for-cause inspections and pre-registration exams of the offices of broker-dealers and investment advisers to ensure compliance with Missouri securities laws. In addition, this section reviews proposed securities offerings to ensure that offerings are "fair, just, and equitable." The division also oversees the Missouri Investor Protection Center, which creates and promotes investor education initiatives designed to educate and assist both current and future investors.

Missouri State Library: The library is responsible for providing library and reference services to Missouri state government; providing library services to the blind and visually impaired; and promoting the development and improvement of library services throughout the state. To fulfill these responsibilities, the library is composed of three sections: Library Development, Reference Services, and the Wolfner Library. The Library Development section supports libraries through consulting, administration of grant programs, continuing education, and statewide programs. Through research, publications, and personal contacts, consultants provide assistance on general library issues and needs, promote the organization and development of library services, manage statewide projects, and maintain statistics on public library services in the state. The Reference Services section delivers library services to meet the informational and research needs of state government through current awareness services, library materials collections in multiple formats, electronic publications, and online databases provided to state employees. The Wolfner Library serves as the public library for Missourians unable to use standard print because of visual or physical disability. Wolfner services are available to qualified Missourians at no charge.

Records Services Division: This division is responsible for maintaining the current and historical records of the state to ensure those records are



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preserved and accessible to Missouri citizens, and for assisting local governments in records preservation and management. The division is composed of three sections: Missouri State Archives, Local Records, and Records Management. Missouri State Archives is the official repository for government records of enduring value. The Local Records section advises, educates, and encourages the custodians of local records in the use of sound records management and archival practices. The Records Management section helps state agencies to effectively and efficiently manage their official records; provides state agencies storage for inactive records; and provides state agencies and local governments micrographic and digital imaging services.

Administrative Rules Division: This division is charged with setting uniform standards, procedures, and guidelines for the preparation and publishing of rules in the Missouri Register and the Missouri Code of State Regulations.

The office also includes the following divisions: Information Technology, Communications and Publications, Fiscal and Facilities, and Human Resources. The Information Technology Division coordinates, develops, implements, and supports information technology solutions for the office. The Communications and Publications Division handles a variety of printing and graphic arts responsibilities for the office, including the publication of the Official Manual. The Fiscal and Facilities Division provides fiscal, budget, procurement, and facilities management support and general office services. The Human Resources Division supports personnel recruitment, compensation, benefits, training, and performance evaluation for the office.

On January 14, 2013, Jason Kander was inaugurated as the state's thirty-ninth Secretary of State. His term expires in January 2017. Robin Carnahan served as Secretary of State from January 10, 2005 to January 14, 2013.

At June 30, 2015, the office employed 224 full-time and 15 part-time employees.

Financial Activity

A summary of the office's operating financial activity and capital assets is presented in the following Appendixes.

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Office of Secretary of State
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
Federal Funds
Year Ended June 30, 2015

	Records- Federal Fund	Election Administration Improvement Fund	Election Improvements Revolving Loan Fund	Federal and Other Fund	Federal Funds Fund	Total Federal Funds (Memorandum Only)
RECEIPTS						
Federal grants	\$ 15,025	0	29,000	0	2,966,834	3,010,859
Investment income	0	63,795	4	2	0	63,801
Court awards	0	322	0	0	0	322
Refunds	0	0	0	0	11,628	11,628
Miscellaneous	0	82	0	0	76	158
Total Receipts	15,025	64,199	29,004	2	2,978,538	3,086,768
DISBURSEMENTS						
Personal service	0	256,856	0	0	198,107	454,963
Employee fringe benefits	0	121,187	0	0	104,803	225,990
Expense and equipment	0	1,232,856	0	0	56,602	1,289,458
Public assistance grants	0	0	0	0	2,657,502	2,657,502
Federal grant programs	15,025	0	0	7	0	15,032
Federal election reform	0	2,042,403	29,000	0	0	2,071,403
Total Disbursements	15,025	3,653,302	29,000	7	3,017,014	6,714,348
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	0	(3,589,103)	4	(5)	(38,476)	(3,627,580)
TRANSFERS						
Transfers from State Election Subsidy Fund	0	3,996,820	0	0	0	3,996,820
RECEIPTS OVER (UNDER)						
DISBURSEMENTS AND TRANSFERS	0	407,717	4	(5)	(38,476)	369,240
CASH AND INVESTMENTS, JULY 1	0	11,751,732	11	5	68,188	11,819,936
CASH AND INVESTMENTS, JUNE 30	\$ 0	12,159,449	15	0	29,712	12,189,176

Appendix A-1

Office of Secretary of State

Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments

Other Funds

Year Ended June 30, 2015

	Technology Trust Fund	Local Records Preservation Fund	State Election Subsidy Fund	Investor Restitution Fund	Missouri State Archives- St. Louis Trust Fund	Library Networking Fund	Investor Education and Protection Fund	State Document Preservation Fund	Wolfner Library Trust Fund	Total Other Funds (Memorandum Only)
RECEIPTS										
Fees	\$ 2,449,675	1,072,851	0	0	21	0	0	0	0	3,522,547
Investment income	20,427	0	0	0	11	1,260	26,526	32	3,857	52,113
Donations	0	0	0	0	0	0	0	362	1,350	1,712
Court awards	6,382	0	0	0	0	0	545,070	0	0	551,452
Refunds	0	0	8,232	0	0	0	0	0	0	8,232
Recovery costs	4,718	0	0	718,184	0	633	60,175	0	0	783,710
Miscellaneous	34,934	123	0	0	0	21	247	0	43	35,368
Total Receipts	<u>2,516,136</u>	<u>1,072,974</u>	<u>8,232</u>	<u>718,184</u>	<u>32</u>	<u>1,914</u>	<u>632,018</u>	<u>394</u>	<u>5,250</u>	<u>4,955,134</u>
DISBURSEMENTS										
Personal service	282,774	576,320	0	0	0	0	430,407	0	0	1,289,501
Employee fringe benefits	126,554	283,927	0	0	0	0	190,053	0	0	600,534
Expense and equipment	2,272,395	59,372	0	0	0	0	381,292	0	19,093	2,732,152
Election costs	0	0	1,193,489	0	0	0	0	0	0	1,193,489
Library networking grants	0	0	0	0	0	793,851	0	0	0	793,851
Investor restitution	0	0	0	634,283	0	0	0	0	0	634,283
Cost allocation plan	20,921	11,476	0	0	0	0	1,892	0	0	34,289
Leasing operations	0	1,917	0	0	0	0	0	0	0	1,917
Miscellaneous	6,400	0	0	0	0	0	0	0	0	6,400
Total Disbursements	<u>2,709,044</u>	<u>933,012</u>	<u>1,193,489</u>	<u>634,283</u>	<u>0</u>	<u>793,851</u>	<u>1,003,644</u>	<u>0</u>	<u>19,093</u>	<u>7,286,416</u>
RECEIPTS OVER (UNDER)										
DISBURSEMENTS	<u>(192,908)</u>	<u>139,962</u>	<u>(1,185,257)</u>	<u>83,901</u>	<u>32</u>	<u>(791,937)</u>	<u>(371,626)</u>	<u>394</u>	<u>(13,843)</u>	<u>(2,331,282)</u>
TRANSFERS										
Transfers from General Revenue Fund	0	0	4,284,000	0	0	776,000	0	0	0	5,060,000
Transfers to Election Administration										
Improvement Fund	0	0	(3,996,820)	0	0	0	0	0	0	(3,996,820)
Total Transfers	<u>0</u>	<u>0</u>	<u>287,180</u>	<u>0</u>	<u>0</u>	<u>776,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,063,180</u>
RECEIPTS OVER (UNDER)										
DISBURSEMENTS AND TRANSFERS	<u>(192,908)</u>	<u>139,962</u>	<u>(898,077)</u>	<u>83,901</u>	<u>32</u>	<u>(15,937)</u>	<u>(371,626)</u>	<u>394</u>	<u>(13,843)</u>	<u>(1,268,102)</u>
CASH AND INVESTMENTS, JULY 1	<u>4,398,133</u>	<u>1,686,285</u>	<u>3,996,820</u>	<u>5,352,361</u>	<u>2,328</u>	<u>31,334</u>	<u>2,624,200</u>	<u>6,647</u>	<u>787,693</u>	<u>18,885,801</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 4,205,225</u>	<u>1,826,247</u>	<u>3,098,743</u>	<u>5,436,262</u>	<u>2,360</u>	<u>15,397</u>	<u>2,252,574</u>	<u>7,041</u>	<u>773,850</u>	<u>17,617,699</u>

Appendix A-2

Office of Secretary of State
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
Federal Funds
Year Ended June 30, 2014

	Records- Federal Fund	Election Administration Improvement Fund	Election Improvements Revolving Loan Fund	Federal and Other Fund	Federal Funds Fund	Total Federal Funds (Memorandum Only)
RECEIPTS						
Federal grants	\$ 0	0	75,525	80,676	2,737,315	2,893,516
Investment income	0	75,241	13	17	0	75,271
Refunds	0	113,289	0	0	416	113,705
Miscellaneous	0	124	0	0	106	230
Total Receipts	0	188,654	75,538	80,693	2,737,837	3,082,722
DISBURSEMENTS						
Personal service	0	99,240	0	0	174,725	273,965
Employee fringe benefits	0	47,257	0	0	90,426	137,683
Expense and equipment	0	1,458,934	0	0	60,796	1,519,730
Public assistance grants	0	0	0	0	2,401,729	2,401,729
Federal grant programs	0	0	0	80,782	0	80,782
Federal election reform	0	1,920,032	75,637	0	0	1,995,669
Total Disbursements	0	3,525,463	75,637	80,782	2,727,676	6,409,558
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	0	(3,336,809)	(99)	(89)	10,161	(3,326,836)
TRANSFERS						
Transfers from State Election Subsidy Fund	0	3,287,520	0	0	0	3,287,520
RECEIPTS OVER (UNDER)						
DISBURSEMENTS AND TRANSFERS	0	(49,289)	(99)	(89)	10,161	(39,316)
CASH AND INVESTMENTS, JULY 1	0	11,801,021	110	94	58,027	11,859,252
CASH AND INVESTMENTS, JUNE 30	\$ 0	11,751,732	11	5	68,188	11,819,936

Appendix A-2

Office of Secretary of State

Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments

Other Funds

Year Ended June 30, 2014

	Technology Trust Fund	Local Records Preservation Fund	State Election Subsidy Fund	Investor Restitution Fund	Missouri State Archives- St. Louis Trust Fund	Library Networking Fund	Investor Education and Protection Fund	State Document Preservation Fund	Wolfner Library Trust Fund	Total Other Funds (Memorandum Only)
RECEIPTS										
Fees	\$ 2,386,564	1,117,083	0	0	167	0	0	0	0	3,503,814
Investment income	18,955	0	0	124	12	2,015	29,895	34	4,509	55,544
Donations	0	0	0	0	0	0	0	147	4,596	4,743
Court awards	0	0	0	0	0	0	868,840	0	0	868,840
Refunds	0	7,875	54,530	0	0	0	221	789	0	63,415
Recovery costs	4,761	0	0	27,235	0	700	29,991	0	0	62,687
Miscellaneous	10,109	87	0	0	0	0	364	9	35	10,604
Total Receipts	<u>2,420,389</u>	<u>1,125,045</u>	<u>54,530</u>	<u>27,359</u>	<u>179</u>	<u>2,715</u>	<u>929,311</u>	<u>979</u>	<u>9,140</u>	<u>4,569,647</u>
DISBURSEMENTS										
Personal service	116,589	600,797	0	0	0	0	459,398	0	0	1,176,784
Employee fringe benefits	52,814	293,784	0	0	0	0	205,283	0	0	551,881
Expense and equipment	1,008,535	173,694	0	0	0	0	796,646	790	28,424	2,008,089
Election costs	0	0	341,710	0	0	0	0	0	0	341,710
Library networking grants	0	0	0	0	0	805,368	0	0	0	805,368
Investor restitution	0	0	0	27,044	0	0	0	0	0	27,044
Cost allocation plan	21,792	10,632	0	0	0	0	8,732	0	0	41,156
Leasing operations	0	2,308	0	0	0	0	0	0	0	2,308
Miscellaneous	2,997	0	0	0	0	0	0	0	0	2,997
Total Disbursements	<u>1,202,727</u>	<u>1,081,215</u>	<u>341,710</u>	<u>27,044</u>	<u>0</u>	<u>805,368</u>	<u>1,470,059</u>	<u>790</u>	<u>28,424</u>	<u>4,957,337</u>
RECEIPTS OVER (UNDER)										
DISBURSEMENTS	<u>1,217,662</u>	<u>43,830</u>	<u>(287,180)</u>	<u>315</u>	<u>179</u>	<u>(802,653)</u>	<u>(540,748)</u>	<u>189</u>	<u>(19,284)</u>	<u>(387,690)</u>
TRANSFERS										
Transfers from General Revenue Fund	0	0	4,284,000	0	0	800,000	0	0	0	5,084,000
Transfers to Election Administration										
Improvement Fund	0	0	(3,287,520)	0	0	0	0	0	0	(3,287,520)
Total Transfers	<u>0</u>	<u>0</u>	<u>996,480</u>	<u>0</u>	<u>0</u>	<u>800,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,796,480</u>
RECEIPTS OVER (UNDER)										
DISBURSEMENTS AND TRANSFERS	<u>1,217,662</u>	<u>43,830</u>	<u>709,300</u>	<u>315</u>	<u>179</u>	<u>(2,653)</u>	<u>(540,748)</u>	<u>189</u>	<u>(19,284)</u>	<u>1,408,790</u>
CASH AND INVESTMENTS, JULY 1	<u>3,180,471</u>	<u>1,642,455</u>	<u>3,287,520</u>	<u>5,352,046</u>	<u>2,149</u>	<u>33,987</u>	<u>3,164,948</u>	<u>6,458</u>	<u>806,977</u>	<u>17,477,011</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 4,398,133</u>	<u>1,686,285</u>	<u>3,996,820</u>	<u>5,352,361</u>	<u>2,328</u>	<u>31,334</u>	<u>2,624,200</u>	<u>6,647</u>	<u>787,693</u>	<u>18,885,801</u>

Appendix A-3

Office of Secretary of State
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
Federal Funds
Year Ended June 30, 2013

	Records- Federal Fund	Election Administration Improvement Fund	Election Improvements Revolving Loan Fund	Federal and Other Fund	Federal Funds Fund	Total Federal Funds (Memorandum Only)
RECEIPTS						
Federal grants	\$ 6,790	24,162	176,331	0	2,937,691	3,144,974
Investment income	0	107,464	24	88	0	107,576
Refunds	0	8,514	0	0	7,878	16,392
Recovery costs	0	0	0	0	9,498	9,498
Miscellaneous	0	295	0	0	220	515
Total Receipts	<u>6,790</u>	<u>140,435</u>	<u>176,355</u>	<u>88</u>	<u>2,955,287</u>	<u>3,278,955</u>
DISBURSEMENTS						
Personal service	0	132,042	0	0	446,793	578,835
Employee fringe benefits	0	57,447	0	0	218,309	275,756
Expense and equipment	0	3,707,687	0	0	117,614	3,825,301
Public assistance grants	0	0	0	0	2,232,299	2,232,299
Federal grant programs	6,790	0	0	20,388	0	27,178
Federal election reform	0	2,625,167	176,330	0	0	2,801,497
Total Disbursements	<u>6,790</u>	<u>6,522,343</u>	<u>176,330</u>	<u>20,388</u>	<u>3,015,015</u>	<u>9,740,866</u>
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	<u>0</u>	<u>(6,381,908)</u>	<u>25</u>	<u>(20,300)</u>	<u>(59,728)</u>	<u>(6,461,911)</u>
CASH AND INVESTMENTS, JULY 1	<u>0</u>	<u>18,182,929</u>	<u>85</u>	<u>20,394</u>	<u>117,755</u>	<u>18,321,163</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 0</u>	<u>11,801,021</u>	<u>110</u>	<u>94</u>	<u>58,027</u>	<u>11,859,252</u>

Appendix A-3

Office of Secretary of State
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
Other Funds
Year Ended June 30, 2013

	Technology Trust Fund	Local Records Preservation Fund	State Election Subsidy Fund	Investor Restitution Fund	Missouri State Archives- St. Louis Trust Fund	Library Networking Fund	Investor Education and Protection Fund	State Document Preservation Fund	Wolfner Library Trust Fund	Total Other Funds (Memorandum Only)
RECEIPTS										
Fees	\$ 2,378,999	1,318,165	0	0	524	0	0	0	0	3,697,688
Investment income	16,393	0	0	0	12	307	35,548	41	5,323	57,624
Donations	0	0	0	0	0	0	0	2,767	4,870	7,637
Court awards	0	0	0	0	0	0	142,561	0	0	142,561
Refunds	0	0	81,764	0	0	0	31	0	0	81,795
Recovery costs	4,800	0	0	272,066	0	7,714	39,150	0	0	323,730
Miscellaneous	23,621	97	0	0	0	47	191	0	20	23,976
Total Receipts	<u>2,423,813</u>	<u>1,318,262</u>	<u>81,764</u>	<u>272,066</u>	<u>536</u>	<u>8,068</u>	<u>217,481</u>	<u>2,808</u>	<u>10,213</u>	<u>4,335,011</u>
DISBURSEMENTS										
Personal service	165,996	625,357	0	0	0	0	493,788	0	0	1,285,141
Employee fringe benefits	70,150	291,926	0	0	0	0	206,586	0	0	568,662
Expense and equipment	1,243,008	173,914	0	0	0	0	533,370	1,609	13,065	1,964,966
Election costs	0	0	1,078,244	0	0	0	0	0	0	1,078,244
Library networking grants	0	0	0	0	0	113,646	0	0	0	113,646
Investor restitution	0	0	0	272,019	0	0	0	0	0	272,019
Cost allocation plan	39,505	11,311	0	0	1	0	16,062	1	199	67,079
Leasing operations	0	3,297	0	0	0	0	0	0	0	3,297
Miscellaneous	6,400	0	0	0	0	0	0	0	0	6,400
Total Disbursements	<u>1,525,059</u>	<u>1,105,805</u>	<u>1,078,244</u>	<u>272,019</u>	<u>1</u>	<u>113,646</u>	<u>1,249,806</u>	<u>1,610</u>	<u>13,264</u>	<u>5,359,454</u>
RECEIPTS OVER (UNDER)										
DISBURSEMENTS	<u>898,754</u>	<u>212,457</u>	<u>(996,480)</u>	<u>47</u>	<u>535</u>	<u>(105,578)</u>	<u>(1,032,325)</u>	<u>1,198</u>	<u>(3,051)</u>	<u>(1,024,443)</u>
TRANSFERS										
Transfers from General Revenue Fund	0	0	4,284,000	0	0	100,000	0	0	0	4,384,000
RECEIPTS OVER (UNDER)										
DISBURSEMENTS AND TRANSFERS	<u>898,754</u>	<u>212,457</u>	<u>3,287,520</u>	<u>47</u>	<u>535</u>	<u>(5,578)</u>	<u>(1,032,325)</u>	<u>1,198</u>	<u>(3,051)</u>	<u>3,359,557</u>
CASH AND INVESTMENTS, JULY 1	<u>2,281,717</u>	<u>1,429,998</u>	<u>0</u>	<u>5,351,999</u>	<u>1,614</u>	<u>39,565</u>	<u>4,197,273</u>	<u>5,260</u>	<u>810,028</u>	<u>14,117,454</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 3,180,471</u>	<u>1,642,455</u>	<u>3,287,520</u>	<u>5,352,046</u>	<u>2,149</u>	<u>33,987</u>	<u>3,164,948</u>	<u>6,458</u>	<u>806,977</u>	<u>17,477,011</u>

Appendix B

Office of Secretary of State Comparative Statement of Receipts General Revenue Fund

	Year Ended June 30,		
	2015	2014	2013
Securities	\$ 15,921,055	15,425,391	14,529,184
Business services	8,178,071	8,061,300	7,991,366
Records services	16,265	17,777	34,168
Administrative rules	16,860	9,286	9,781
Elections	340	540	300
Missouri state library	163	84	155
Miscellaneous	4,682	652	876
Total	\$ 24,137,436	23,515,030	22,565,830

Appendix C-1

Office of Secretary of State
Statement of Appropriations and Expenditures
Year Ended June 30, 2015

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Personal Service	\$ 7,471,611	7,471,121	490
Expense and Equipment	1,619,809	1,564,786	55,023
Elections Public Notice	1,189,218	1,062,547	126,671
Refunds of securities, corporations, uniform <input type="checkbox"/> commercial code and miscellaneous collections	50,000	31,030	18,970
Remote Electronics Access for Libraries Program	3,109,250	2,642,744	466,506
Absentee Ballots	151,000	57,517	93,483
Aid to Public Libraries	3,504,001	3,504,001	0
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	673,244	568,499	104,745
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	958,929	923,359	35,570
Total General Revenue Fund	<u>18,727,062</u>	<u>17,825,604</u>	<u>901,458</u>
RECORDS-FEDERAL FUND			
Re-Grant Program	50,000	15,025	34,975
Total Records-Federal Fund	<u>50,000</u>	<u>15,025</u>	<u>34,975</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES <input type="checkbox"/>			
SAVE AMERICA'S TREASURES GRANT FUND			
Personal Service	159,678	0	159,678
Total National Endowment for the Humanities <input type="checkbox"/>			
Save America's Treasures Grant Fund	<u>159,678</u>	<u>0</u>	<u>159,678</u>
ELECTION ADMINISTRATION IMPROVEMENT FUND			
Expense and Equipment	3,737,263	1,234,681	2,502,582
Personal Service	271,782	256,856	14,926
Federal Election Reform	5,229,232	2,042,403	3,186,829
Total Election Administration Improvement Fund	<u>9,238,277</u>	<u>3,533,940</u>	<u>5,704,337</u>
ELECTION IMPROVEMENTS REVOLVING LOAN FUND			
Federal Election Reform	396,185	29,000	367,185
Total Election Improvements Revolving Loan Fund	<u>396,185</u>	<u>29,000</u>	<u>367,185</u>
FEDERAL AND OTHER FUND			
Grants and Projects	200,000	7	199,993
Total Federal and Other Fund	<u>200,000</u>	<u>7</u>	<u>199,993</u>

Appendix C-1

Office of Secretary of State
Statement of Appropriations and Expenditures
Year Ended June 30, 2015

	Appropriation Authority	Expenditures	Lapsed Balances
FEDERAL FUNDS FUND			
Personal Service	247,751	198,107	49,644
Expense and Equipment	227,574	56,602	170,972
Allotments, grants and contributions from the Federal Government or from any sources may be deposited in the State Treasury for the use of the Missouri State Library	4,125,000	2,657,502	1,467,498
Total Federal Funds Fund	4,600,325	2,912,211	1,688,114
TECHNOLOGY TRUST FUND			
Personal Service	341,670	282,774	58,896
Expense and Equipment	3,161,180	2,265,743	895,437
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	6,700	6,652	48
Total Technology Trust Fund	3,509,550	2,555,169	954,381
SURPLUS REVENUE FUND			
Personal Service	77,400	0	77,400
Expense and Equipment	2,500	0	2,500
Total Surplus Revenue Fund	79,900	0	79,900
LOCAL RECORDS PRESERVATION FUND			
Personal Service	1,029,422	576,320	453,102
Expense and Equipment	519,969	53,495	466,474
Local Records Preservation Grants	400,000	0	400,000
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	3,300	1,917	1,383
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	17,482	5,877	11,605
Total Local Records Preservation Fund	1,970,173	637,609	1,332,564
STATE ELECTION SUBSIDY FUND			
Special Election Costs	516,353	516,270	83
Ballot Reprint Costs	679,343	677,219	2,124
Total State Election Subsidy Fund	1,195,696	1,193,489	2,207
INVESTOR RESTITUTION FUND			
Investor Restitution	2,000,000	634,283	1,365,717
Total Investor Restitution Fund	2,000,000	634,283	1,365,717
MISSOURI STATE ARCHIVES-ST. LOUIS TRUST FUND			
Document Preservation	1	0	1
Total Missouri State Archives-St. Louis Trust Fund	1	0	1

Appendix C-1

Office of Secretary of State
Statement of Appropriations and Expenditures
Year Ended June 30, 2015

	<u>Appropriation Authority</u>	<u>Expenditures</u>	<u>Lapsed Balances</u>
LIBRARY NETWORKING FUND			
Library Networking Grants	900,000	793,851	106,149
Total Library Networking Fund	<u>900,000</u>	<u>793,851</u>	<u>106,149</u>
INVESTOR EDUCATION AND PROTECTION FUND			
Personal Service	775,713	430,407	345,306
Expense and Equipment	947,964	368,159	579,805
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	<u>13,227</u>	<u>13,133</u>	<u>94</u>
Total Investor Education and Protection Fund	<u>1,736,904</u>	<u>811,699</u>	<u>925,205</u>
STATE DOCUMENT PRESERVATION FUND			
Expense and Equipment	<u>25,000</u>	<u>0</u>	<u>25,000</u>
Total State Document Preservation Fund	<u>25,000</u>	<u>0</u>	<u>25,000</u>
WOLFNER LIBRARY TRUST FUND			
Expense and Equipment	<u>30,000</u>	<u>19,093</u>	<u>10,907</u>
Total Wolfner Library Trust Fund	<u>30,000</u>	<u>19,093</u>	<u>10,907</u>
Total All Funds	<u>\$ 44,818,751</u>	<u>30,960,980</u>	<u>13,857,771</u>

The lapsed balances include the following withholdings made at the Governor's request:

	<u>Year Ended June 30, 2015</u>
General Revenue Fund	
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	\$ 20,779
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	<u>28,768</u>
Total General Revenue Fund	<u>\$ 49,547</u>

Appendix C-2

Office of Secretary of State
Statement of Appropriations and Expenditures
Year Ended June 30, 2014

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Personal Service	\$ 7,427,292	7,417,741	9,551
Expense and Equipment	1,603,409	1,592,923	10,486
Elections Public Notice	100,000	0	100,000
Refunds of securities, corporations, uniform <input type="checkbox"/> commercial code and miscellaneous collections	50,000	43,876	6,124
Remote Electronics Access for Libraries Program	3,109,250	3,109,250	0
Absentee Ballots	50,000	50,000	0
Aid to Public Libraries	3,504,001	3,504,001	0
Literacy Investment for Tomorrow Program	69,450	0	69,450
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	626,437	566,898	59,539
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	1,035,260	1,035,259	1
Total General Revenue Fund	<u>17,575,099</u>	<u>17,319,948</u>	<u>255,151</u>
RECORDS-FEDERAL FUND			
Re-Grant Program	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Total Records-Federal Fund	<u>15,000</u>	<u>0</u>	<u>15,000</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES <input type="checkbox"/>			
SAVE AMERICA'S TREASURES GRANT FUND			
Personal Service	158,449	0	158,449
Total National Endowment for the Humanities <input type="checkbox"/> Save America's Treasures Grant Fund	<u>158,449</u>	<u>0</u>	<u>158,449</u>
ELECTION ADMINISTRATION IMPROVEMENT FUND			
Expense and Equipment	3,737,263	1,458,934	2,278,329
Personal Service	269,042	99,240	169,802
Federal Election Reform	5,229,232	1,920,032	3,309,200
Total Election Administration Improvement Fund	<u>9,235,537</u>	<u>3,478,206</u>	<u>5,757,331</u>
ELECTION IMPROVEMENTS REVOLVING LOAN FUND			
Federal Election Reform	<u>396,185</u>	<u>75,637</u>	<u>320,548</u>
Total Election Improvements Revolving Loan Fund	<u>396,185</u>	<u>75,637</u>	<u>320,548</u>
FEDERAL AND OTHER FUND			
Grants and Projects	<u>200,000</u>	<u>80,782</u>	<u>119,218</u>
Total Federal and Other Fund	<u>200,000</u>	<u>80,782</u>	<u>119,218</u>

Appendix C-2

Office of Secretary of State
Statement of Appropriations and Expenditures
Year Ended June 30, 2014

	Appropriation Authority	Expenditures	Lapsed Balances
FEDERAL FUNDS FUND			
Personal Service	242,421	174,725	67,696
Expense and Equipment	227,574	60,796	166,778
Allotments, grants and contributions from the Federal Government or from any sources may be deposited in the State Treasury for the use of the Missouri State Library	4,125,000	2,401,729	1,723,271
Total Federal Funds Fund	4,594,995	2,637,250	1,957,745
TECHNOLOGY TRUST FUND			
Personal Service	338,360	116,589	221,771
Expense and Equipment	3,161,180	1,001,261	2,159,919
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	7,275	7,274	1
Total Technology Trust Fund	3,506,815	1,125,124	2,381,691
LOCAL RECORDS PRESERVATION FUND			
Personal Service	1,069,760	600,797	468,963
Expense and Equipment	519,969	154,671	365,298
Local Records Preservation Grants	400,000	0	400,000
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	3,300	2,308	992
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	19,023	19,023	0
Total Local Records Preservation Fund	2,012,052	776,799	1,235,253
STATE ELECTION SUBSIDY FUND			
Special Election Costs	400,000	341,710	58,290
Total State Election Subsidy Fund	400,000	341,710	58,290
INVESTOR RESTITUTION FUND			
Investor Restitution	750,000	27,764	722,236
Total Investor Restitution Fund	750,000	27,764	722,236
MISSOURI STATE ARCHIVES-ST. LOUIS TRUST FUND			
Document Preservation	1	0	1
Total Missouri State Archives-St. Louis Trust Fund	1	0	1
LIBRARY NETWORKING FUND			
Library Networking Grants	2,300,000	805,368	1,494,632
Total Library Networking Fund	2,300,000	805,368	1,494,632

Appendix C-2

Office of Secretary of State
Statement of Appropriations and Expenditures
Year Ended June 30, 2014

	Appropriation Authority	Expenditures	Lapsed Balances
INVESTOR EDUCATION AND PROTECTION FUND			
Personal Service	564,414	459,398	105,016
Expense and Equipment	945,364	782,279	163,085
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	14,367	14,367	0
Total Investor Education and Protection Fund	1,524,145	1,256,044	268,101
STATE DOCUMENT PRESERVATION FUND			
Expense and Equipment	25,000	790	24,210
Total State Document Preservation Fund	25,000	790	24,210
WOLFNER LIBRARY TRUST FUND			
Expense and Equipment	30,000	28,424	1,576
Total Wolfner Library Trust Fund	30,000	28,424	1,576
Total All Funds	\$ 42,723,278	27,953,846	14,769,432

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30, 2014
General Revenue Fund	
Literacy Investment for Tomorrow Program	\$ 24,000
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	18,838
Total General Revenue Fund	\$ 42,838

Appendix C-3

Office of Secretary of State
Statement of Appropriations and Expenditures
Year Ended June 30, 2013

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Personal Service	\$ 7,371,129	7,350,943	20,186
Expense and Equipment	1,803,409	1,803,408	1
Elections Public Notice	2,165,100	2,165,100	0
Refunds of securities, corporations, uniform <input type="checkbox"/> commercial code and miscellaneous collections	50,000	43,073	6,927
Remote Electronics Access for Libraries Program	3,109,250	3,109,250	0
Absentee Ballots	96,535	96,534	1
Aid to Public Libraries	3,504,001	3,504,001	0
Literacy Investment for Tomorrow Program	69,450	34,029	35,421
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	625,855	554,028	71,827
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	1,014,668	984,228	30,440
Total General Revenue Fund	<u>19,809,397</u>	<u>19,644,594</u>	<u>164,803</u>
RECORDS-FEDERAL FUND			
Re-Grant Program	<u>15,000</u>	<u>6,790</u>	<u>8,210</u>
Total Records-Federal Fund	<u>15,000</u>	<u>6,790</u>	<u>8,210</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES <input type="checkbox"/>			
SAVE AMERICA'S TREASURES GRANT FUND			
Personal Service	157,949	0	157,949
Total National Endowment for the Humanities <input type="checkbox"/> Save America's Treasures Grant Fund	<u>157,949</u>	<u>0</u>	<u>157,949</u>
ELECTION ADMINISTRATION IMPROVEMENT FUND			
Expense and Equipment	3,737,263	3,707,687	29,576
Personal Service	267,325	132,042	135,283
Federal Election Reform	<u>5,229,232</u>	<u>2,625,167</u>	<u>2,604,065</u>
Total Election Administration Improvement Fund	<u>9,233,820</u>	<u>6,464,896</u>	<u>2,768,924</u>
ELECTION IMPROVEMENTS REVOLVING LOAN FUND			
Federal Election Reform	<u>396,185</u>	<u>176,330</u>	<u>219,855</u>
Total Election Improvements Revolving Loan Fund	<u>396,185</u>	<u>176,330</u>	<u>219,855</u>
FEDERAL AND OTHER FUND			
Grants and Projects	<u>200,000</u>	<u>20,388</u>	<u>179,612</u>
Total Federal and Other Fund	<u>200,000</u>	<u>20,388</u>	<u>179,612</u>

Appendix C-3

Office of Secretary of State
Statement of Appropriations and Expenditures
Year Ended June 30, 2013

	Appropriation Authority	Expenditures	Lapsed Balances
FEDERAL FUNDS FUND			
Personal Service	639,832	446,793	193,039
Expense and Equipment	227,574	117,614	109,960
Allotments, grants and contributions from the Federal Government or from any sources may be deposited in the State Treasury for the use of the Missouri State Library	2,876,690	2,232,299	644,391
Total Federal Funds Fund	3,744,096	2,796,706	947,390
TECHNOLOGY TRUST FUND			
Personal Service	336,334	165,996	170,338
Expense and Equipment	3,161,180	1,235,945	1,925,235
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	7,086	7,063	23
Total Technology Trust Fund	3,504,600	1,409,004	2,095,596
LOCAL RECORDS PRESERVATION FUND			
Personal Service	1,062,096	625,357	436,739
Expense and Equipment	519,969	155,443	364,526
Local Records Preservation Grants	400,000	0	400,000
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	3,321	3,297	24
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	18,489	18,471	18
Total Local Records Preservation Fund	2,003,875	802,568	1,201,307
STATE ELECTION SUBSIDY FUND			
Special Election Costs	1,078,245	1,078,244	1
Total State Election Subsidy Fund	1,078,245	1,078,244	1
INVESTOR RESTITUTION FUND			
Investor Restitution	272,020	272,019	1
Total Investor Restitution Fund	272,020	272,019	1
MISSOURI STATE ARCHIVES-ST. LOUIS TRUST FUND			
Document Preservation	1	0	1
Total Missouri State Archives-St. Louis Trust Fund	1	0	1
LIBRARY NETWORKING FUND			
Library Networking Grants	1,600,000	113,646	1,486,354
Total Library Networking Fund	1,600,000	113,646	1,486,354

Appendix C-3

Office of Secretary of State
Statement of Appropriations and Expenditures
Year Ended June 30, 2013

	<u>Appropriation Authority</u>	<u>Expenditures</u>	<u>Lapsed Balances</u>
INVESTOR EDUCATION AND PROTECTION FUND			
Personal Service	561,081	493,788	67,293
Expense and Equipment	645,364	519,420	125,944
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	13,989	13,950	39
Total Investor Education and Protection Fund	<u>1,220,434</u>	<u>1,027,158</u>	<u>193,276</u>
STATE DOCUMENT PRESERVATION FUND			
Expense and Equipment	<u>25,000</u>	<u>1,609</u>	<u>23,391</u>
Total State Document Preservation Fund	<u>25,000</u>	<u>1,609</u>	<u>23,391</u>
WOLFNER LIBRARY TRUST FUND			
Expense and Equipment	<u>14,501</u>	<u>13,065</u>	<u>1,436</u>
Total Wolfner Library Trust Fund	<u>14,501</u>	<u>13,065</u>	<u>1,436</u>
Total All Funds	<u>\$ 43,275,123</u>	<u>33,827,017</u>	<u>9,448,106</u>

The lapsed balances include the following withholdings made at the Governor's request:

	<u>Year Ended June 30, 2013</u>
General Revenue Fund	
Literacy Investment for Tomorrow Program	\$ 3,000
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	18,776
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	<u>30,440</u>
Total General Revenue Fund	<u>\$ 52,216</u>

Appendix D

Office of Secretary of State Comparative Schedule of Expenditures (From Appropriations)

	Year Ended June 30,				
	2015	2014	2013	2012	2011
Salaries and wages	\$ 9,215,584	8,868,489	9,214,920	8,974,013	9,130,581
Travel, in-state	60,946	68,351	88,198	95,257	91,434
Travel, out-of-state	22,529	19,781	21,751	14,784	6,386
Fuel and utilities	77,106	80,734	76,826	78,453	58,064
Supplies	624,516	730,727	889,299	957,527	836,751
Professional development	104,980	109,871	116,077	116,251	185,437
Communication service and supplies	270,417	249,946	277,515	365,934	312,990
Services:					
Professional	5,760,859	5,119,101	7,218,068	7,720,888	7,327,802
Housekeeping and janitorial	14,026	13,776	14,925	14,492	11,882
Maintenance and repair	2,595,384	2,318,932	2,572,342	1,707,583	1,692,517
Equipment:					
Computer	644,478	222,649	496,919	1,810,581	2,033,830
Motorized	28,049	11,220	20,645	57,718	24,774
Office	42,416	102,186	103,685	53,698	22,817
Other	113,193	28,414	57,802	38,240	70,434
Property and improvements	0	11,372	7,478	220	0
Building lease payments	1,478,655	1,607,575	1,544,604	1,542,683	1,675,625
Equipment rental and leases	3,184	6,997	5,302	24,392	6,137
Miscellaneous expenses	12,643	12,176	23,298	28,659	20,561
Refunds	31,030	43,876	237,139	66,108	58,342
Program distributions	9,860,985	8,327,673	10,840,224	16,564,007	10,939,331
Total Expenditures	\$ <u>30,960,980</u>	<u>27,953,846</u>	<u>33,827,017</u>	<u>40,231,488</u>	<u>34,505,695</u>

Appendix E

Office of Secretary of State Statement of Changes in General Capital Assets

All Funds	Furniture and Equipment	Software	Motor Vehicles	Total
Balance, July 1, 2012	\$ 6,315,960	13,268,814	223,621	19,808,395
Additions	244,317	711,421	23,600	979,338
Dispositions	(398,474)	0	0	(398,474)
Balance, June 30, 2013	6,161,803	13,980,235	247,221	20,389,259
Additions	355,268	43,722	21,400	420,390
Dispositions	(419,790)	0	(43,750)	(463,540)
Balance, June 30, 2014	6,097,281	14,023,957	224,871	20,346,109
Additions	627,030	598,629	14,900	1,240,559
Dispositions	(215,208)	0	(17,543)	(232,751)
Balance, June 30, 2015	\$ 6,509,103	14,622,586	222,228	21,353,917

Fund of Acquisition	Balance June 30, 2015
General Revenue Fund	\$ 4,039,236
Election Administration Improvement Fund	9,615,024
Federal and Other Fund	5,693
Federal Funds Fund	118,739
Technology Trust Fund	7,120,915
Local Records Preservation Fund	412,428
Investor Education and Protection Fund	11,563
Wolfner Library Trust Fund	30,319
Total All Funds	\$ 21,353,917



Nicole Galloway, CPA
Missouri State Auditor

Forty-Fifth Judicial Circuit

City of Winfield Municipal Division



January 2016
Report No. 2016-002

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Winfield Municipal Division

Background	The Winfield Municipal Division audit was completed as part of the Municipal Courts Initiative of the State Auditor's Office. The Municipal Courts Initiative adds additional areas of review to the standard court audit process. In addition to reviewing financial transactions, accounting practices, and compliance with court rules and state law, auditors also reviewed statistical information, tickets, and other penalties, to identify activities and other practices that may impair impartiality or damage the court's credibility with citizens.
Accounting Controls and Procedures	The municipal division employs only one person, the court clerk, who performs all duties relating to collecting, recording, and transferring court payments for deposit. The city lacks any independent review of the court clerk's accounting records. Payments made to the court are not transmitted intact or timely to the city for deposit, and procedures to record and reconcile bond payments are not adequate. The municipal division lacks a formal plan to collect and monitor unpaid amounts and individual payment plans are not documented.
Municipal Division Procedures	The municipal division failed to detect errors in monthly reports submitted to the Office of State Courts Administrator and the city, which both over- and underreported collections. Oversight for processing traffic tickets is not adequate, some tickets and plea agreements do not reflect approval by the prosecuting attorney, and case activity does not always agree between electronic and manual records.
Monitoring of Excess Revenue	Procedures related to the calculation of excess revenues are not adequate to ensure compliance with state law. The city inaccurately calculated its 2014 revenue from traffic violations and reported that it had no excess revenue due to the Department of Revenue. Auditor calculations show the city owes \$30,686 in excess revenues for traffic payments collected in 2014.
Vehicle Stop Monitoring	The city did not retain adequate records to support 2014 vehicle stop data reported to the Attorney General's Office, which prevented the State Auditor's Office from reviewing the accuracy of the data.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Forty-Fifth Judicial Circuit

City of Winfield Municipal Division

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Forty-Fifth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Winfield, Missouri

We have audited certain operations of the City of Winfield Municipal Division of the Forty-Fifth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo, and as part of the State Auditor's Municipal Courts Initiative. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

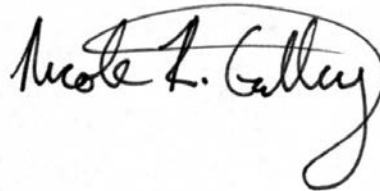
1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with Section 302.341.2, RSMo, which restricted the amount of fines and court costs that may be retained from traffic violations.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) noncompliance with Section 302.341.2, RSMo. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Winfield Municipal Division of the Forty-Fifth Judicial Circuit.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written in a smaller, more compact script between the first and last names.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Forty-Fifth Judicial Circuit

City of Winfield Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. For the year ended December 31, 2014, the municipal division's case management system reported net collections (including bond forfeitures not used for court costs or fines) totaled approximately \$299,000. Bonds recorded in the case management system and deposited into the municipal division bond account during this period totaled approximately \$45,000.

1.1 Oversight

Neither the Municipal Judge nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. Proper segregation of duties within the municipal division is not possible because the Court Clerk is the only municipal division employee.

The Court Clerk is responsible for all duties related to collecting court monies, recording and posting these monies to the case management system, and transmitting them to the City Clerk for deposit into the city's operating account or the municipal division's bond bank account. The City Clerk's review of monies transmitted by the municipal division is limited to ensuring the total amount receipted in the case management system agrees to the total amount transmitted to the city for deposit. The City Clerk does not account for the numerical sequence of receipt slips issued or compare the composition of receipt slips to the composition of monies transmitted.

Additionally, the City Clerk does not provide documentation to the municipal division detailing how court monies transmitted to the city for deposit were recorded in the city's accounting records. Without this documentation, the Court Clerk cannot compare amounts transmitted by the municipal division to amounts recorded by the city to confirm city records are in agreement with municipal division records. Monthly reconciliations between amounts recorded in the case management system and amounts recorded in city records are necessary to ensure proper accountability.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented supervisory or independent reviews of accounting records.

1.2 Transmittal procedures

Municipal division receipts are not transmitted intact or timely to the city for deposit and checks are not restrictively endorsed until the transmittal is prepared. Our review of municipal division receipt and city deposit records noted the following issues.

- Cash, checks, and money orders collected for bonds, fines, and court costs on February 18 and 19, 2014, totaling \$4,028 were not deposited into city accounts until February 26, 2014.



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- Bond receipts received between December 12, 2014, and January 8, 2015, totaling \$1,330 were deposited into the bond account on January 8, 2015. However, approximately \$14,250 in fines and court costs receipted between December 12, 2014, and December 31, 2014, were included in five deposits made to the city accounts during this time frame. Bond receipts are typically transmitted to the city for deposit on a monthly basis.
- Checks and money orders are not restrictively endorsed upon receipt. On February 23, 2015, we counted 11 checks or money orders on hand, totaling \$1,237 that had not been restrictively endorsed. The Court Clerk applies restrictive endorsement to checks and money orders when preparing the transmittal to the city.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be transmitted intact and timely, and checks and money orders should be restrictively endorsed immediately upon receipt. In addition, section IV.C. of Winfield Municipal Court Operating Order Number 1 requires all fines, costs, surcharges, and bonds collected be deposited daily, or when the amount on hand reaches \$100.

1.3 Bonds

The Court Clerk does not issue receipt slips for bond monies received. The Court Clerk posts bond payments to the case management system when received using the case number associated with the bond payment. Since prenumbered receipt slips are not issued for these payments, there is less assurance that all bond payments received are posted to the accounting system and transmitted to the city for deposit into the municipal division bond account.

To reduce the risk of loss, theft, or misuse of bond monies received, and to provide assurance all bond monies are accounted for properly, prenumbered receipt slips should be issued sequentially immediately upon receipt for all bond monies.

1.4 Bond liabilities and reconciliations

A book balance for the bond account is not maintained to facilitate monthly reconciliation to the bank balance and related liabilities (open bonds). In addition, while a list of outstanding bonds is maintained in the municipal division accounting system, the list is not printed and submitted to the city monthly for reconciliation to the bond account balance. Also, bond account disbursements do not contain sufficient detail to identify the individual case and related amount being transferred from the municipal division bond account to the city's operating account.

In July 2014, in an attempt to balance the municipal division bond account, the city made a transfer of \$9,095 from the bond account to a city operating account. The City Clerk and Court Clerk indicated this transfer was for bond



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amounts the municipal division had applied or forfeited in the accounting system prior to January 1, 2014, but the corresponding transfer had not occurred. Neither the Court Clerk nor City Clerk could provide documentation of how this amount was determined or specific cases and related amounts associated with the transfer.

At our request, the Court Clerk generated a list of open bonds at December 31, 2014, and the list totaling \$4,240 exceeded the reconciled bank balance by \$647, indicating a shortage in the account. The municipal division subsequently determined \$600 related to a bond forfeiture that had been reversed by the Municipal Judge and \$47 related to outstanding checks that had not been recorded in the city's financial records.

Section V.B. of Winfield Municipal Court Operating Order Number 1 requires the Court Clerk to submit to the city a monthly open bond report. Additionally, Missouri Supreme Court Operating Rule No. 4.59 requires reconciling all bank balances and open items records at least monthly. Maintaining a book balance, reconciling the bank balance to the book balance, and reconciling liabilities to the reconciled bank account balance are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. In addition, monthly lists of liabilities are necessary to ensure all bond dispositions have been properly recorded.

1.5 Accrued costs

The municipal division has not established a formal administrative plan for the collection of court debt and does not adequately monitor accrued costs, including fines and court costs, incarceration costs, and court-ordered restitution.

The municipal division accepts partial payments from defendants; however, formal payment plans are not documented, signed by the defendant, or approved by the Municipal Judge and no minimum payment is required monthly. The case management system tracks accrued costs and can produce a report of balances due; however, the Court Clerk was not aware this report could be generated until we discussed this issue with her. At December 31, 2014, accrued costs totaled approximately \$89,000 in the case management system.

Proper and timely monitoring of receivables is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for non-payment. Proper monitoring is necessary to provide information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible. In addition, payment agreements signed by the defendant and approved by the Municipal Judge formalize the liability to the municipal division and could aid in the collection process.



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1.6 Disbursements

City officials did not disburse amounts collected for the Sheriff Retirement Fund (SRF) monthly. The municipal division began collecting and transmitting this \$3 surcharge to the city in September 2013; however, the city did not distribute any SRF fees collected between September 2013 and February 2015 until March 2015, when \$7,449 was distributed to the SRF.

Missouri Supreme Court Operating Rule 21.02 indicates state court costs collected by the municipal division should be disbursed within 30 days of receipt.

Recommendations

The City of Winfield Municipal Division:

- 1.1 Ensure documented thorough independent or supervisory reviews of municipal division accounting records are periodically performed. In addition, work with the city to ensure monies transmitted to the city are reconciled with deposits recorded in the city's accounting records.
- 1.2 Ensure receipts are transmitted intact and timely and checks and money orders are restrictively endorsed immediately upon receipt.
- 1.3 Ensure prenumbered receipt slips are issued for all bond monies received and account for the numerical sequence of bond receipt slips issued.
- 1.4 Maintain a book balance and ensure the bank balance is reconciled to the book balance. In addition, the municipal division should prepare monthly lists of liabilities and reconcile the lists to the bank balance, promptly investigate and resolve differences, and maintain sufficient documentation to ensure all bonds are accounted for and disbursed properly.
- 1.5 Establish procedures to monitor accrued costs and obtain signed payment plans approved by the Municipal Judge from all defendants.
- 1.6 Work with the city to ensure court monies are disbursed within 30 days of receipt.

Auditee's Response

The City of Winfield Municipal Division provided the following responses:

- 1.1 *The municipal division and city agree with the recommendation of the State Auditor's Office (SAO), and immediately implemented a procedure to ensure the proper documentation and review of the municipal court's accounting records. The city will provide the*



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municipal division with a detailed receipt slip indicating how funds transmitted were reported in the city's accounting records.

- 1.2 *The municipal division agrees with the recommendation of the SAO and immediately implemented a procedure to ensure that receipts are transmitted in a timely manner. The municipal division will also ensure that all checks and money orders are restrictively endorsed immediately upon receipt.*
- 1.3 *The municipal division agrees with the recommendation of the SAO and immediately implemented a procedure to ensure that receipt slips specifically prenumbered and designated for that purpose are issued for all bond monies received and that a full accounting for such receipt slips is performed.*
- 1.4 *The municipal division agrees with the recommendation of the SAO. The municipal division further states that the referenced transfer of prior bond receipts was done in order to correct historical accounting deficiencies that occurred prior to any of the current court personnel being employed with the city. This transfer was done to ensure that all subsequent accounting was accurate. The municipal division will work with the city to ensure that there are adequate reconciliation and oversight procedures in place in accordance with the recommendations of the SAO.*
- 1.5 *The municipal division agrees with the recommendation of the SAO. The municipal division will endeavor to collect all assessed fines and court costs that have been assessed. The municipal division will do so in accordance with all applicable laws, including Senate Bill 5. The municipal division further states that some outstanding fines and costs have been waived by the Municipal Judge in the aftermath of the decision of the Municipal Judge to recall all active warrants in response to Senate Bill 5 becoming effective. The Municipal Judge reviewed each file on which an uncollected balance remained, and which was previously in warrant status, and where he deemed appropriate the Municipal Judge waived the balance of the fines and costs owed. Those assessed cases where the fines were not waived were reset on a new court date. Each year the Municipal Judge will review all cases on which an outstanding balance remains to determine whether any unpaid fines should be waived due to specific circumstances, such as the defendant having passed away or in compliance with the new statutory procedures to consider a defendant's ability to pay in accordance with the standards promulgated by the Presiding Judge of the Circuit Court.*



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1.6 While the city understands the recommendation of the SAO, this finding was premised exclusively on the collection of the \$3 Sheriff's Retirement Fund fee. This fee was, and remains, the subject of litigation as to its validity (*City of Slater v. State of Missouri*, WD78016 – (oral argument August 11, 2015)) and the municipal division collected the fee but due to uncertainty as to whether it should ultimately be retained, the city delayed disbursement until it received further guidance. However, on the recommendation of the SAO, the city immediately disbursed all these funds and continues to do so on an ongoing basis. The city has always disbursed all other court costs as required by the Missouri Supreme Court Operating Rules, and will continue to do so.

2. Municipal Division Procedures

Procedures related to monthly reporting, ticket disposition, Prosecuting Attorney approval, and organization of records need improvement.

2.1 Monthly reports

The Court Clerk did not submit accurate monthly reports of municipal division collections to the state and city. As a result, municipal division activities have been incorrectly reported to the Office of State Courts Administrator (OSCA) and the city lacks the information needed to accurately track amounts collected by the municipal division.

The Court Clerk generates the monthly Municipal Division Summary Reporting Form from the computerized case management system, showing collection amounts entered into the case management system. This monthly report is submitted to the OSCA and to the city. Additionally, the Court Clerk utilizes this report to determine certain court surcharge amounts to be distributed monthly by the city to the state and other political subdivisions.

Our review of these monthly reports identified numerous errors related to system programming. The Court Clerk had not adequately reviewed these reports or identified these errors. The table below presents actual amounts collected compared to amounts reported for the year ended December 31, 2014.

Collections		Actual	Reported	Over/ (Under)
				Reported
Fines	\$	207,042	207,062	20
Court costs		22,791	40,308	17,517
Court Surcharges		25,114	25,114	0
Restitution		10	0	(10)
Sheriff Retirement Fund		5,251	5,260	9
Other Costs		29,673	4,601	(25,072)
Bond Forfeitures		9,170	9,770	600
Total	\$	299,051	292,115	(6,936)



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These differences occurred because (1) the monthly summary report obtained from the system was not accurately set up to include amounts collected for warrant fees, housing fees, and overpayments, and categorized amounts collected for failure to appear as court costs instead of other costs; and (2) transactions were backdated in the case management system to prior accounting periods.

The municipal division case management system allows the Court Clerk to backdate transactions to prior period accounting records rather than requiring posting of the transactions in the current period. As a result, any backdated transactions were not reflected in current period accounting records or included on monthly reports of collections generated from the case management system.

Missouri Supreme Court Operating Rules 4.28 and 4.29 and OSCA instructions require submission of monthly reports of cases filed and fines and court costs collected to the OSCA and the city. Reports are to be submitted by the 15th of the month following the reporting month and include all activities occurring since the last report. To ensure accurate information is reported to the OSCA and court surcharges collected are correctly reported to the city and disbursed to the state and/or tracked in accordance with city ordinance and state law, the municipal division should establish procedures to generate accurate monthly Municipal Division Summary Reporting Forms. Such procedures should include ensuring monthly reports include all activities of the entire month, and reconciling amounts received and deposited to the activity posted in municipal division records and city's accounting system.

2.2 Case dispositions

The Municipal Judge does not approve all case dispositions. The Municipal Judge does not review and approve traffic tickets paid through the violation bureau or the final docket report showing case dispositions recorded in the system.

Without better oversight of all tickets processed, the risk of improper handling of tickets and related monies increases. To ensure the proper disposition of all cases has been entered in the municipal division records, the Municipal Judge should sign the docket to indicate approval of the recorded disposition.

2.3 Prosecutor approval

The Prosecuting Attorney does not sign some tickets processed by the municipal division and the Prosecuting Attorney's approval of amended tickets is not always clearly documented.

The Prosecuting Attorney allows the Court Clerk to maintain and use his signature stamp to file charges on certain traffic tickets. Our review of 60



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tickets noted the Prosecuting Attorney's signature to file charges was not present on 3 of them.

The Court Clerk is allowed to prepare plea agreements to amend certain traffic violations to non-moving, no-point violations based on a recommendation schedule approved by the Prosecuting Attorney in response to requests received from the defendant's attorneys. The defendants and their attorneys sign and return the plea agreements directly to the Court Clerk for processing. The Prosecuting Attorney will sometimes initial the plea agreements but this procedure is not done consistently. For the 60 tickets reviewed, 17 of 21 plea agreements to amend charges did not indicate review or approval by the Prosecuting Attorney to ensure their propriety. As a result, there is less assurance the Prosecuting Attorney authorized all plea agreements.

The ability of the Court Clerk to amend tickets and apply the Prosecuting Attorney's signature by facsimile stamp without a review by the Prosecuting Attorney is a significant control weakness, and increases the likelihood of tickets being handled improperly and the risk of loss, theft, or misuse of monies going undetected. Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the municipal division. The Prosecuting Attorney's review, documented with his signature, is needed to provide assurance proper cases and charges are filed with the municipal division. Additionally, to ensure the proper disposition of all cases has been entered in the municipal division records, the Prosecuting Attorney should sign or initial all amended tickets indicating his review and approval.

2.4 Municipal division records

Municipal division records are not maintained in an accurate, complete, and organized manner. The Court Clerk documents case information for each defendant on backer sheets maintained in manual case files as well as computerized docket sheets maintained in the case management system. However, for 42 of 60 tickets reviewed, case information did not agree between manual and electronic records. We noted backer sheets maintained in manual case files for 28 tickets were left blank, fines and costs assessed did not agree between manual and electronic records for 4 tickets, and case activity (court continuances, warrant, and/or bond activity) did not agree between manual and electronic records for 10 of these tickets.

Supreme Court Operating Rule 4 requires municipal divisions to maintain a docket or backer sheet for each case. All information regarding the case should be documented including, but not limited to, a copy of the ticket, case number, defendant name, sentence, bond information, warrant information, and disposition of the case. Accurate recording of the case information is necessary to properly account for the municipal division's financial activity. Failure to implement adequate case entry procedures



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increases the risk that loss, theft, or misuse of funds will go undetected and municipal division records will contain errors.

Recommendations

The City of Winfield Municipal Division:

- 2.1 Establish procedures to ensure the accuracy of monthly Municipal Division Summary Reporting Forms. In addition, discontinue making adjustments to prior periods and reconcile amounts received and deposited to amounts posted in the municipal division records and city accounting records to ensure collections are properly distributed.
- 2.2 Ensure the Municipal Judge signs all court dockets.
- 2.3 Ensure the Prosecuting Attorney signs all tickets and reviews and approves all amended and dismissed tickets.
- 2.4 Ensure the proper disposition of cases is documented in manual and electronic records and sufficient documentation is maintained to support all case actions.

Auditee's Response

The City of Winfield Municipal Division provided the following responses:

- 2.1 *The municipal division agrees with the recommendation of the SAO and has already implemented the suggested procedures. The municipal division further answers that some of the referenced inadequacies in the audit resulted from computer coding errors, which were promptly corrected upon identification by the SAO.*
- 2.2 *The municipal division agrees with the recommendation of the SAO and has already implemented a procedure to ensure that the municipal judge signs all court dockets.*
- 2.3 *The municipal division agrees with the recommendations of the SAO. The Prosecutor has already implemented procedures whereby all tickets are either reviewed and signed personally by the Prosecutor, or the Prosecutor reviews the pertinent information pertaining to all citations electronically prior to the court clerk stamping the Prosecutor's signature. Where the latter method is utilized, the authority for the use of the signature stamp is given in writing to the Court Clerk. The Prosecutor has already implemented a policy to ensure that all issued recommendations are signed personally by him.*
- 2.4 *The municipal division agrees with the recommendation of the SAO and has already implemented a procedure to ensure that the*



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disposition of each case is properly documented. The municipal division is further working on a method of implementing a procedure for cases disposed of through the municipal division's violation bureau.

3. Monitoring of Excess Revenues

Procedures related to the calculation of excess revenues due to the Missouri Department of Revenue (DOR) are not adequate to ensure compliance with state law. While the city calculated excess revenues due to the DOR for the year ended December 31, 2014, the city's calculation included certain items that are not required to be included in the traffic violation revenue total. Also, the city's general operating revenue calculation improperly included revenues restricted for specific purposes as well as city reserves from prior fiscal years. Based on the calculation below, at least \$30,686 is due the DOR for the year ended December 31, 2014.

The municipal division tracks the amount of fines and court costs collected for traffic violations, including amended charges from traffic violations, in a case management system. Based on the 2014 data from the system, the municipal division collected \$221,601 in fines and court costs for traffic violations, excluding related court costs designated by statute for a specific purpose. The city's excess revenue calculation (from unaudited financial records) for the year ended December 31, 2014, indicates the city's 2014 general operating revenues totaled \$1,017,540, fines and court costs from traffic violations totaled \$240,150, and the percent of annual general operating revenue from traffic violations equaled 23.6 percent. Based on this calculation, city officials determined the city did not have excess revenues from traffic violations for fiscal year 2014.

However, the total general operating revenue reported by the city for use in its excess revenue calculation is misstated. Revenues from fines and court costs were understated by \$15,071 and the city did not include the \$7,827 refuse administration fee in the calculation. In addition, the city included restricted revenues from state motor vehicle taxes and fees, restricted court costs, and city reserves (revenues from prior fiscal years) in the total general operating revenue amount reported. These restricted revenues and reserves should be excluded from the current year general operating revenues used in the calculation of excess revenues due the DOR.

Traffic violation revenue reported by the city for use in its excess revenue calculation did not exclude \$18,549 for certain court costs designated by statute for a specific purpose and bond forfeitures that were not required to be included in revenue from traffic violations under state law as it existed prior to August 28, 2015.

The city did not present its fiscal year 2013 excess revenue calculation in its financial statements submitted to the State Auditor's Office (SAO) on March



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18, 2015, almost a year past the April 30, 2014, filing deadline for unaudited financial statements.

The following table, using information from the case management system report and the city's unaudited financial statements, identifies the amount to be remitted to the DOR for excess revenue for fiscal year ended December 31, 2014, after including additional general operating revenue and excluding restricted revenues:

	Year Ended December 31, 2014
City Calculated General Operating Revenues	\$ 1,017,540
Plus Additional General Operating Revenues:	
Police Fine	15,071
Refuse Administration Fee (1)	7,827
Less Restricted Revenues and Reserves:	
Certain Court Costs (2)	(29,611)
Motor Vehicle Sales Tax	(10,774)
Motor Vehicle Fees	(5,931)
Motor Fuel Tax	(36,238)
Transportation Sales Tax Receipts	(84,275)
Street Fund Interest Income	(662)
City Reserves	(236,564)
General Operating Revenues (Less Restricted Revenues and Reserves)	636,383
30 Percent of General Operating Revenues	190,915
City Calculated Traffic Violation Revenues	240,150
Less Excludable Traffic Revenues (3)	(18,549)
Fines and Court Costs from Traffic Violations	221,601
Excess Revenues	30,686
Amount Remitted to the DOR	0
Remaining Amount Due the DOR	\$ 30,686

(1) The city contracts refuse services from a local business and bills city customers for this service.

The city retains a 7% administrative fee, which is considered a general operating revenue.

(2) Costs, fees and surcharges designated by statute for specific purposes.

(3) Revenue from traffic violations reported by the city included certain court costs designated by statute for a specific purpose (CVC, SRF) as well as bond forfeitures related to traffic violations. These amounts are not required to be included in revenue from traffic violations, thus were excluded when calculating the excess revenue.

Section 302.341.2, RSMo (as it existed from August 28, 2013 to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations in its annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR. Section 302.341.2, RSMo, further provided that a city noncompliant with the law was subject to immediate loss of jurisdiction of the city's municipal court on all traffic-related charges until all requirements of the section were satisfied. According to 12 CSR 10-44.100 (as it existed prior to September 11, 2015), payment was to be made by the last day of the second month immediately following the end of the fiscal year.



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During the 2015 legislative session the General Assembly passed and the Governor signed into law Senate Bill 5 (SB 5), which became effective August 28, 2015. SB 5, among other things, changes the definitions of elements of the excess revenue calculation and reduces the amounts of traffic revenues the city may retain in the future. SB 5 also establishes sanctions for failure to file annual excess revenue information with the SAO, including authorizing the DOR to redirect certain revenues due to the city and possible loss of municipal jurisdiction until such filings are made.

Due to the impact of SB 5 on operations of the municipal division as well as the city's reporting requirements, it is important the city and municipal division take immediate action to implement policies and procedures to ensure future compliance with state law.

Recommendations

The Board of Aldermen ensure the accuracy of annual excess revenue calculations, include appropriate general operating revenues and revenues from fines and court costs in the calculations, and make payments of excess revenues timely.

Auditee's Response

The Board of Aldermen provided the following response:

The city does not believe that the SAO's calculation as to excess revenues is correct. Having discussed this issue with the SAO, the city believes that less than 30 percent of its annual general operating revenue is derived from "traffic violations." The city does not agree with the SAO's determination that solid waste revenues are excluded from annual general operating revenue, as such revenues are not limited as to their use by constitutional provision, statute or local ordinance. In fact, the SAO has not been able to identify any constitutional provision, statute or local ordinance that limits the use of the solid waste revenues upon receipt of the city. The SAO's representatives appear to argue that under their own issued definition for "annual general operating revenue," which they allege differs from the statutory definition of that same term established by Senate Bill 5, all "user fees" are excluded. However, this is clearly not an accurate interpretation as the SAO includes other "user fees" in calculating the city's annual general operating revenue.

The solid waste collection fees at issue are user fees, paid by residents and business owners who utilize the city's refuse collection services. The city pays a contractor to perform such services. When the city collects the user fees from its residents and business owners there is no limitation by statute, constitutional provision, or local ordinance that restricts the use of those revenues when they are received by the city. The revenue when collected "can be used to pay any bill or obligation of a city, county, or other political subdivision." As such, it is not a "user fee[]" . . . designated by law, ordinance, or Constitution, for a specific purpose." Accordingly, the



Forty-Fifth Judicial Circuit
City of Winfield Municipal Division
Management Advisory Report - State Auditor's Findings

inclusion of these revenues within "annual general operating revenue" is entirely consistent with the definition issued by the SAO, which is:

Revenue that is not required by the enacting ordinance, law or Constitution to be used only for a designated purpose and can be used to pay any bill or obligation of a city, county, or other political subdivision. This includes, but is not limited to, general sales tax, general use tax, general property tax, and fees from certain licenses and permits, interest, fines and penalties. "General operating revenue" does not include, among other items, designated sales or use taxes, user fees, grant funds or other revenue designated by law, ordinance, or Constitution, for a specific purpose.

It has also been explained to the city that the existence of the contractual agreement between the city and the refuse collector renders the revenues restricted. First, while of course the city has a contractual obligation, there is no constitutional provision, statute or ordinance provision that mandates that the contract be paid by the user fees collected from those that use the city's solid refuse collection services. Frankly, it is unclear why the existence of the contract has any bearing on the nature of the revenue. The city has numerous contracts that it has to pay out of its general fund, and it pays those (as it does the solid waste contract fees) using its annual general operating revenues.

The Missouri Supreme Court in Arbor Inv. Co., LLC v. City of Hermann, 341 S.W.3d 673 (Mo. banc 2011), recognized the legitimacy of municipalities engaging in similar enterprises to provide services for its citizens. In light of the fact that the unmistakable overarching intent of the Macks Creek law is to prevent the overreliance by municipalities on their traffic court revenues, it defies logic to penalize those cities (such as Winfield) that provide "for pay" services to their residents and business owners. Excluding such user fees from annual general operating revenues makes no sense when considering the very purpose of the Macks Creek law as modified by HB103.

Representatives from the SAO have also suggested that these solid waste refuse revenues might be included as annual general operating revenue under SB 5's version of Macks Creek. While the city understands it has been audited under HB103, there is no legitimate basis to ignore SB 5's definition, when the prior version of the statute used the same term, but left it undefined. SB 5's definition makes it plainly clear that "unrestricted user fees" are included as annual general operating revenues.

However, recognizing that under HB103's version of the Macks Creek law it is for the Department of Revenue (DOR) to account for the disbursement of any excess revenues, the city has elected to file an amended report



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indicating both the amount it believes to be the correct "annual general operating revenue" and the amount the SAO believes to be the correct "annual general operating revenue." The city will also tender payment of the alleged excess revenues to the DOR "under protest," and will ask that the DOR make the necessary determination as to whether these funds should be deposited or returned to the city.

Additionally the city notes that the calculation of revenues is not a function of the municipal division, but rather is part of the city's administrative function. The fines imposed by the municipal division are based upon the court's adjudication of the merits of each case, and not based upon the city's overall traffic court revenues. It matters not to the municipal division whether the fines are retained by the city or transferred to the local school district for any given case, because the purpose of the fine levied is not to raise revenue for the city. Accordingly, it is inappropriate for the municipal division to seem to be held responsible for calculating Macks Creek revenues.

It is also unreasonable and unjust to criticize the city administration's good faith attempts to comply with the Macks Creek law when it did not receive the necessary state guidance. Again, it is further unreasonable to lay fault at the feet of the municipal division, as the court is not the entity responsible for making the annual financial report. This is especially unfair in light of the extreme uncertainty that surrounds the correct and proper interpretation of the Macks Creek law as it existed under the HB103 incarnation.

The city will endeavor to ensure that it complies with its Macks Creek reporting and excess revenue requirements.

Auditor's Comment

We have consistently conveyed to city personnel and its representatives that the solid waste refuse (trash) user fee in question seems to be restricted for a specific purpose and should be excluded from general operating revenue. The city charges the trash user fee based on a contract with a private company. The private company sets the rates and pays the city an administrative fee for billing. Under the contract, the city is obligated to pay the amounts collected to the private company and the private company is obligated to pay the city a percentage of collections for the billing service. The city places the trash billing revenue collected into a subaccount of the water and sewer account. The water and sewer account is a restricted account by both law and practice. It appears the city treats this subaccount as a restricted account in practice.

The city did not include any of the trash user fees in its calculation of general operating revenues reported by the city in its excess revenue calculation for 2014, filed with the SAO on April 28, 2015, or in its calculation filed with amended financial statements filed on July 21, 2015.



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City of Winfield Municipal Division
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Except for the 7 percent administration portion retained by the city, we believe the city's exclusion of the trash user fees from its 2014 excess revenue calculations was correct. The city's reported calculation of general operating revenue improperly included a large amount of restricted revenues and city reserves. Removing these restricted revenues and city reserves from the city's calculation of general operating revenue results in over \$30,000 due the DOR. The city's subsequent belief that the trash user fee is unrestricted and should now be included in general operating revenue would result in no excess revenue due the DOR. While the city has other user fees that run through the general revenue account, such as park rental fees, the calculations of both the city and the SAO have placed them in general operating revenue.

4. Vehicle Stop Reporting

The City of Winfield Police Department did not retain adequate documentation to support the vehicle stop data submitted to the Attorney General's Office (AGO) for the year ended December 31, 2014.

According to the Chief of Police, a separate database was maintained on each police department computer and officers were responsible for entering their vehicle stop data into a database. The Chief of Police indicated he was unable to combine vehicle stop data from each separate database into a comprehensive database, therefore, he manually combined information contained in each database to obtain vehicle stop data information required to be reported. However, documentation to support the information submitted to the AGO was not retained and we were unable to review the accuracy of the data submitted.

During our review of 60 tickets issued during the year ended December 31, 2014, we noted 59 tickets had been issued as a result of a vehicle stop. We could not locate stop data information in any database for 8 of these tickets and one of these tickets had the incorrect gender marked. Additionally, some stop data information may have been duplicated in individual databases.

Section 590.650, RSMo, requires law enforcement agencies to submit stop data to the AGO annually. Section 109.255, RSMo, authorizes the Missouri Local Records Board, chaired by the Secretary of State, to establish minimum retention periods for records created by local governments. The Police Clerk's Record Retention Schedule established by the Local Records Board requires the racial profiling statistics be retained for a minimum of 1 year after submission to the AGO. To ensure vehicle stop information is accurately reported to the AGO, sufficient documentation should be maintained to support the data submitted.



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Management Advisory Report - State Auditor's Findings

Recommendation

The City of Winfield Police Department should ensure adequate records are maintained to support the vehicle stop information submitted annually to the AGO.

Auditee's Response

The Board of Aldermen provided the following response:

The city notes that this issue is unrelated to the city's municipal court. As the recommendation itself notes, it is the police department that collects and reports information related to vehicle stop reporting. It would be improper and inappropriate for the city's municipal court to exercise any influence or control over the police department relative to vehicle stop reporting. However, the city will continue to comply with the reporting requirements established by Section 590.650, RSMo. Further, any inadequacies in the supporting data identified by the SAO were due to computer malfunction. The city will endeavor to ensure the accuracy of all such information that is maintained and reported.

Forty-Fifth Judicial Circuit

City of Winfield Municipal Division

Organization and Statistical Information

The City of Winfield Municipal Division is in the Forty-Fifth Judicial Circuit, which consists of Lincoln and Pike Counties. The Honorable Chris Kunza Mennemeyer serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. The municipal division does not utilize OSCA's statewide automated case management system known as JIS. Instead, the municipal division utilizes Integrated Metropolitan Docketing System, an automated case management system provided by Regional Justice Information Services, which has been approved for use in municipal divisions by the State Judicial Records Committee.

Personnel

At December 31, 2014, the municipal division employees were as follows:

Title	Name
Municipal Judge	Dennis Chassaniol
Court Clerk	Robyn Haase

Financial and Caseload Information

	Year Ended December 31, 2014
Receipts	\$299,051
Number of cases filed	2,182

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 12.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelters	2.00
Sheriff's Retirement Fund	3.00
Failure to Appear (FTA) Fee ¹	100.00
Warrant Fee ²	25.00

¹ In January 2015, the municipal division stopped assessing FTA fees. Additionally, FTA fees previously assessed on open court cases are being waived.

² Effective October 20, 2014, the municipal division stopped assessing warrant fees. Additionally, all warrant fees previously assessed on open court cases are being waived.



Forty-Fifth Judicial Circuit
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Organization and Statistical Information

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2014agencyreports.pdf?sfvrsn=2>. The following table presents data excerpted from the AGO report for the City of Winfield Police Department. In addition, see information at <https://ago.mo.gov/home/vehicle-stops-report/2014-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

Racial Profiling Data/2014 - Winfield Police Department - Population 1,043¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	2217	2126	67	12	2	0	10
Searches	82	78	4	0	0	0	0
Arrests	88	79	7	1	0	0	1
Statewide Population	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population	N/A	97.12	0.58	1.05	0.19	0.00	1.05
Disparity Index ²	N/A	0.99	5.25	0.51	0.47	#Num!	0.43
Search Rate ³	3.70	3.67	5.97	0.00	0.00	#Num!	0.00
Contraband hit rate ⁴	56.10	57.69	25.00	#Num!	#Num!	#Num!	#Num!
Arrest rate ⁵	3.97	3.72	10.45	8.33	0.00	#Num!	10.00

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#Num! indicates zero denominator



Nicole Galloway, CPA
Missouri State Auditor

Seventh Judicial Circuit

City of Mosby Municipal Division



January 2016

Report No. 2016-003

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Mosby Municipal Division

Background	<p>The City of Mosby discontinued municipal court operations in September 2015. Pending cases were transferred to the Clay County Circuit Court. Audit findings relate to division operations prior to the court's dissolution.</p> <p>The Mosby Municipal Court Division audit was completed as part of the Municipal Courts Initiative of the State Auditor's Office. The Initiative adds additional areas of review to the standard court audit process to identify activities and other practices that may impair impartiality or damage the court's credibility with citizens.</p>
Accounting Controls and Procedures	<p>The municipal judge and city personnel failed to perform adequate supervisory or independent reviews of the accounting functions and records of the municipal court's only employee, the court administrator. The court administrator did not deposit payments timely and often withheld cash from deposits to make change for other transactions, creating a risk of loss, theft or misuse of funds. The court administrator also did not prepare a list of bond liabilities each month to compare to the bank account balance, and auditors found an excess balance of \$7,776 in unidentified money.</p>
Municipal Division Procedures	<p>The municipal judge did not approve all case dispositions or maintain a docket sheet for each case, as required by court rules. The prosecuting attorney did not always sign tickets processed by the court, and auditors found that 48 of 60 tickets reviewed did not have the prosecutor's signature. The court administrator was allowed to dismiss certain traffic violations without review by the prosecuting attorney, increasing the potential for tickets to be handled improperly. The municipal court also assessed a potentially improper \$50 warrant for failure to appear in court and/or pay amounts due, although state law does not authorize the fee.</p>
Monitoring of Excess Revenues	<p>Procedures related to the calculation of excess revenues are not adequate to ensure compliance with state law. The city improperly calculated and overstated revenues from traffic violations by at least \$13,762. The city also overstated its general operating revenue by approximately \$93,750.</p>

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Seventh Judicial Circuit

City of Mosby Municipal Division

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Seventh Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Mosby, Missouri

We have audited certain operations of the City of Mosby Municipal Division of the Seventh Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo, and as part of the State Auditor's Municipal Courts Initiative. The scope of our audit included, but was not necessarily limited to, the year ended March 31, 2015. The objectives of our audit were to:

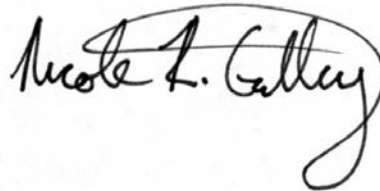
1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with Section 302.341.2, RSMo, which restricted the amount of fines and court costs that may be retained from traffic violations.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) noncompliance with Section 302.341.2, RSMo. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Mosby Municipal Division of the Seventh Judicial Circuit.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Deborah Whitis, MBA, CPA, CIA, CFE
In-Charge Auditor:	Gina Henley, MBA
Audit Staff:	Sheila Hohenstreet

Seventh Judicial Circuit

City of Mosby Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. For the year ended March 31, 2015, the municipal division's records indicate net collections (including bond forfeitures not used for court costs or fines) totaled approximately \$98,000. Bonds recorded on the manual log and deposited into the municipal division bond account during this period totaled approximately \$21,000.

1.1 Oversight

Neither the Municipal Judge nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. Proper segregation of duties within the municipal division is not possible because the Court Administrator is the only employee.

The Court Administrator is responsible for all duties related to collecting court monies, recording and posting these monies to the municipal division's records, and depositing these monies into the city's general fund account or the municipal division's bond bank account. The City Clerk's involvement is limited to recording into the city's accounting records information regarding each general fund account deposit made by the Court Administrator. The City Clerk does not account for the numerical sequence of receipt slips issued or compare the composition of receipt slips to the composition of monies deposited.

Additionally, procedures do not exist to reconcile manual receipt slips issued for electronic payments (credit/debit card) to amounts direct deposited into the city's general fund bank account. The municipal division uses a vendor to process electronic payments. The vendor notifies the Court Administrator of each payment made by a defendant and deposits the payment directly into the city's bank account. The Court Administrator records these electronic payments on manual receipt slips and provides copies of the vendor notifications to the City Clerk. Neither the Court Administrator nor City Clerk reconcile the electronic payments recorded on receipt slips to the amounts deposited into the city's bank account to ensure all electronic payments have been processed properly.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented supervisory or independent reviews of accounting records.

1.2 Depositing procedures

The Court Administrator does not deposit receipts intact or timely. Our review of 12 deposits made during the months of November and December 2014, and March 2015, identified 9 deposits with differences between the amounts of cash recorded on the receipt slips and the amounts deposited. These differences occurred because the Court Administrator deposits all checks and money orders, but often withholds cash from deposits to make



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change for court and adds excess cash to subsequent deposits. However, the Court Administrator does not prepare records to document the cash withheld and the balance of cash on hand.

In addition, 9 of the 12 deposits in our review included receipts held more than 5 days. For example, the deposit of \$1,846 on December 31, 2014, included 7 receipts totaling \$792 received between December 12 and 23, 2014.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be deposited intact and timely. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a deposit is made. In addition, section IV.C. of Mosby Municipal Court Operating Order Number 1 requires all fines, costs, surcharges, and bonds collected be deposited daily, or when the amount on hand reaches \$100.

1.3 Bond liabilities and reconciliations

The Court Administrator does not prepare monthly lists of liabilities (open bonds) for comparison to the bond bank account balance, and unidentified amounts continue to accumulate in the bond bank account. In addition, bank reconciliations are incomplete because they do not include reconciling items such as deposits in transit and outstanding checks, and do not reconcile to a book balance. A running book balance is not available because the checkbook register was destroyed in a May 2015 flood. The bond ledger indicating the defendant's name, date, and amounts received and disbursed, did not accurately reflect bond activity because the Court Administrator did not always record the related disbursement information.

At our request, the Court Administrator updated the bond ledger and prepared a list of open bonds at June 30, 2015. Open bonds identified totaled only \$9,130, while the bank balance was \$16,906, resulting in an unidentified difference of \$7,776. A portion of the excess balance may relate to outstanding checks, but that amount is unknown because outstanding checks are not tracked. This unidentified excess amount increased from the \$7,095 unidentified difference noted in our prior audit report (Report No. 2009-139). As of July 30, 2015, this difference remains undistributed.

Section IV.E.2. of Mosby Municipal Court Operating Order Number 1 requires the Court Administrator to submit to the city a monthly open bond case report. Additionally, Missouri Supreme Court Operating Rule No. 4.59 requires all bank balances and open items records be reconciled at least monthly. Maintaining an accurate book balance, reconciling the bank balance to the book balance, and reconciling liabilities to the reconciled bank account balance are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet



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liabilities. In addition, monthly lists of liabilities are necessary to ensure all bond dispositions have been properly recorded.

Recommendations

The City of Mosby Municipal Division:

- 1.1 Ensure documented thorough independent or supervisory reviews of municipal division accounting records are periodically performed. In addition, work with the city to ensure receipt and deposit records are reconciled with deposits recorded in the city's accounting records.
- 1.2 Reconcile the composition of receipts to the composition of deposits and deposit all monies intact and timely. If a change fund is needed, it should be maintained at an established amount and periodically reconciled to the monies on hand.
- 1.3 Prepare a monthly list of liabilities, maintain a book balance, and reconcile these totals monthly to the bank balance. In addition, the municipal division should promptly investigate and resolve differences, and establish procedures to review the status of liabilities to determine the appropriate disposition of funds held.

Auditee's Response

The Mayor, Court Administrator, and City Clerk provided the following responses:

- 1.1 *We agree with the finding. Documented independent reviews were implemented in June 2015. The Court Administrator is now working with the City Clerk to reconcile court records with the city's accounting records. Although the municipal division was dissolved in September 2015, should it be reinstated, the documented independent reviews and reconciliations will resume.*
- 1.2 *We agree with the finding. The city established a change fund of \$100 in June 2015, and began reconciling it periodically. The Court Administrator began transmitting all receipts intact and timely to the City Clerk for deposit and the City Clerk began verifying the composition of transmittals to the composition of receipt slips. Following the final court date due to the municipal division's dissolution, the change fund was returned to the City Clerk. Although the municipal division has been dissolved, should it be reinstated, these new procedures will resume.*
- 1.3 *We agree with the finding. In July 2015, the municipal division established and transferred all open bond monies to a new bond bank account. The Court Administrator is now preparing a monthly list of liabilities, maintaining a book balance, and reconciling*



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monthly to the bank statement balance. The Court Administrator has turned the open bond monies associated with pending cases over to Clay County. The Court Administrator is continuing to investigate unidentified bond monies and is working with the former Municipal Judge, who is now the city's Prosecuting Attorney, to determine the proper disposition of the unidentified monies.

2. Municipal Division Procedures

Procedures related to ticket disposition, Prosecuting Attorney approval, and warrant fees need improvement.

2.1 Case dispositions

The Municipal Judge does not approve all case dispositions. The Municipal Judge does not review and approve traffic and ordinance tickets paid through the violation bureau or the final court dockets. The Court Administrator records the case activity on court dockets listing cases to be heard at each court session. Tickets paid through the violation bureau are not included on the court dockets. The Municipal Judge does not review or document his approval of the court dockets after final case dispositions are recorded. In addition, the municipal division does not maintain a docket or backer sheet for each case. Instead, the Municipal Judge will sometimes record his order on the ticket.

Supreme Court Operating Rule 4.08 requires municipal divisions to maintain a docket or backer sheet for each case. All information regarding the case should be documented including, but not limited to, a copy of the ticket, case number, defendant name, sentence, bond information, warrant information, and disposition of case. Accurate recording of the case information is necessary to ensure all fines and court costs have been properly collected and deposited. In addition, the Municipal Judge should sign the docket or backer sheet to indicate approval of the recorded disposition.

2.2 Prosecutor approval

The Prosecuting Attorney does not always sign tickets processed by the municipal division and the Prosecuting Attorney's approval of dismissed tickets is not always clearly documented.

Our review of 60 tickets noted the Prosecuting Attorney's signature to file charges was not present on 48 of them. Subsequent actions to dismiss charges were also not clearly authorized by the Prosecuting Attorney. Fifteen of the 60 tickets were later dismissed; however, 14 of the dismissed tickets were not signed or initialed by the Prosecuting Attorney. The Court Administrator is allowed to nolle pros (dismiss) traffic violations for no proof of insurance if the defendant later provides proof of insurance. It is not always possible to determine which charges were dismissed by the Prosecuting Attorney or dismissed by the Court Administrator and there is



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no indication charges dismissed by the Court Administrator are reviewed by the Prosecuting Attorney to ensure their propriety.

The ability of the Court Administrator to nolle pros tickets without a review by the Prosecuting Attorney is a significant control weakness, and increases the likelihood of tickets being handled improperly and the risk of loss, theft, or misuse of monies going undetected. Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the municipal division. The Prosecuting Attorney's review, documented with his signature, is needed to provide assurance proper cases and charges are filed with the municipal division. Additionally, to ensure the proper disposition of all cases has been entered in the municipal division records, the Prosecuting Attorney should sign or initial all nolle pros tickets indicating his review and approval.

2.3 Warrant fees

The municipal division assesses a potentially improper \$50 warrant fee for each warrant issued for failure to appear in court and/or pay amounts due. According to municipal division records, warrant fees collected totaled approximately \$2,500 for year ended March 31, 2015. Per Section 479.260, RSMo, a municipality may by ordinance provide for court fees pursuant to sections 488.010 to 488.020, RSMo; however, these sections do not include any provisions that authorize the municipal division to assess the warrant fee.

Recommendations

The City of Mosby Municipal Division:

- 2.1 Ensure the proper disposition of cases is documented on the court dockets or backer sheets and all court dockets and backer sheets are signed by the Municipal Judge.
- 2.2 Ensure the Prosecuting Attorney signs all tickets and reviews and approves all dismissed tickets.
- 2.3 Work with the city and legal counsel to reevaluate the warrant fee and the authority to assess the fee.

Auditee's Response

Neither the City of Mosby nor the Municipal Division provided responses to these recommendations.

3. Monitoring of Excess Revenues

Procedures related to the calculation of excess revenues due the Missouri Department of Revenue (DOR) are not adequate to ensure compliance with state law. The city's calculation included certain items that were not required to be included in the traffic violation revenue total. Also, the city's general operating revenue calculation improperly included revenues restricted for specific purposes and transfers from other funds. As a result, the city's calculations do not accurately assess whether excess revenues are owed to



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the DOR. Because of the lack of supporting documentation for some amounts used in the calculation and the manual nature of the court's records, it is unclear if the city has exceeded the revenue limits.

The city's excess revenue calculation (from unaudited financial records) for the year ended March 31, 2015, indicates the city's 2015 revenues from traffic violation fines and court costs totaled \$98,639, general operating revenues totaled \$335,253, and 30 percent of the general operating revenues equaled \$100,576. Based on this calculation, the city determined it did not have any excess revenues from traffic violations for fiscal year 2015.

Our review of court and city records indicated the city overstated revenues from traffic violations by at least \$13,762 because the city included restricted court costs, miscellaneous police department income, transfers from other funds, some non-traffic ordinance violation revenues, and bond forfeitures that were not required to be included in revenue from traffic violations under state law as it existed prior to August 28, 2015. In addition, the city improperly included revenues from all traffic violations, both moving and non-moving. Revenues from non-moving violations, except for those related to tickets amended from a moving violation, should have been excluded. Though the Court Administrator prepared monthly reports indicating total court revenues by violation type (moving, non-moving, and non-traffic ordinance) and provided this information to the city for use in its calculation of excess revenues, the City Clerk made the identified errors when compiling information from these reports. In addition, documentation to support the information reported to the city was not readily available and we were unable to verify the accuracy of the total amounts reported by the Court Administrator to the city for each violation type.

In addition, the total general operating revenue reported by the city for use in its excess revenue calculation appears to be overstated by approximately \$93,750. The city improperly included restricted revenues from state motor vehicle taxes and fees, restricted court costs, restricted utility user fees, and transfers from other funds. These restricted revenues and transfers should be excluded from the general operating revenues used in the calculation.

The city submitted its 2015 unaudited financial statements and excess revenue calculation to the State Auditor's Office (SAO) on August 21, 2015, almost a month past the July 31, 2015 filing deadline. The city used a different methodology for its fiscal year 2014 excess revenue calculation submitted to the SAO on September 8, 2014.

Section 302.341.2, RSMo (as it existed from August 28, 2013 to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations in its annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of



Seventh Judicial Circuit
City of Mosby Municipal Division
Management Advisory Report - State Auditor's Findings

30 percent of annual general operating revenue to the DOR. Section 302.341.2, RSMo, further provided that a city that was noncompliant with the law was subject to immediate loss of jurisdiction of the city's municipal court on all traffic-related charges until all requirements of this section were satisfied. Under 12 CSR 10-44.100 (as it existed prior to September 11, 2015), payment was to be made by the last day of the second month immediately following the end of the fiscal year.

During the 2015 legislative session the General Assembly passed and the Governor signed into law Senate Bill 5 (SB 5), which became effective August 28, 2015. SB 5, among other things, changes the definitions of elements of the excess revenue calculation and reduces the amounts of traffic revenues the city may retain in the future. SB 5 also establishes sanctions for failure to file annual excess revenue information with the SAO, including authorizing the DOR to redirect certain revenues due to the city and possible loss of municipal court jurisdiction until such filings are made.

Due to the impact of SB 5 on operations of the municipal division as well as the city's reporting requirements, it is important the city and municipal division take immediate action to implement policies and procedures to ensure future compliance with state law.

Recommendations

The Board of Aldermen ensure the amounts included and excluded in the annual excess revenue calculations are accurate and comply with state law. In addition, the Board of Aldermen should recalculate excess revenues for fiscal year 2015, maintain documentation to support the calculations, and make appropriate payments to the DOR for any excess revenues identified.

Auditee's Response

The Mayor, Court Administrator, and City Clerk provided the following response:

The city is working on procedures to ensure proper reporting of excess revenues and will maintain documentation to support the calculations. The city will recalculate the excess revenues for fiscal year 2015 and submit a revised report to the SAO. If any excess revenues are identified, payment will be made to the DOR.

Seventh Judicial Circuit

City of Mosby Municipal Division

Organization and Statistical Information

The City of Mosby Municipal Division is in the Seventh Judicial Circuit, which consists of Clay County. The Honorable Shane T. Alexander serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. The municipal division does not utilize OSCA's statewide automated case management system known as JIS. Instead, the municipal division maintains manual records.

The City of Mosby Board of Aldermen voted to discontinue Police Department operations on August 6, 2015, and is negotiating a contract with Clay County for law enforcement services. The City of Mosby Municipal Division was discontinued effective September 11, 2015. Pending cases have been transferred to Clay County and fines and court costs will be collected through the Seventh Judicial Circuit, Clay County.

Personnel

At March 31, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	William Shull
Court Administrator	Sally Denney

Financial and Caseload Information

	Year Ended March 31, 2015
Receipts	\$98,244
Number of cases filed	1,090

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 12.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Judicial Education Fund	1.00
Warrant Fee	50.00



Seventh Judicial Circuit
City of Mosby Municipal Division
Organization and Statistical Information

Vehicle Stops Report

Section 590.650, RSMo requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2014agencyreports.pdf?sfvrsn=2>. The following table presents data excerpted from the AGO report for the city of Mosby Police Department. In addition, see information at: <https://ago.mo.gov/home/vehicle-stops-report/2014-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of following table.

Racial Profiling Data/2014 - Mosby Police Department - Population 153¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	1546	1450	67	24	2	1	2
Searches	46	40	3	3	0	0	0
Arrests	35	30	2	3	0	0	0
Statewide Population	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population	N/A	96.73	1.31	0.65	0.65	0.00	0.65
Disparity Index ²	N/A	0.97	3.32	2.38	0.20	#DIV/0!	0.20
Search Rate ³	2.98	2.76	4.48	12.50	0.00	0.00	0.00
Contraband hit rate ⁴	30.43	35.00	0.00	0.00	#Num!	Num!	Num!
Arrest rate ⁵	2.26	2.07	2.99	12.50	0.00	0.00	0.00

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#DIV/0! or #Num! indicates zero denominator



Nicole Galloway, CPA
Missouri State Auditor

City of St. Louis
Recorder of Deeds and Vital
Records Registrar



January 2016
Report No. 2016-004

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of St. Louis Recorder of Deeds and Vital Records Registrar

Background	The Governor requested the State Auditor's Office audit the City of St. Louis Recorder of Deeds and Vital Records Registrar, and the Auditor initiated an audit in February 2015. A number of significant events impacted the audit, including the resignation of Recorder Sharon Quigley Carpenter in July 2014, after nepotism concerns were raised and made public. An interim recorder, Jennifer Florida, was appointed by Mayor Francis Slay to serve during the remainder of Carpenter's term, ending December 31, 2014. St. Louis officials issued two reports in the fall of 2014 raising questions about Carpenter's tenure as recorder, relating to issues such as contract bidding and procurement, questionable expenditures, and weaknesses in procedures. Carpenter was re-elected to the position of recorder in November 2014, and her four-year term that began January 1, 2015, will end December 31, 2018.
Construction Contracts	Recorder Carpenter's office contracted for significant renovations in 2009 and 2013 and completed several smaller projects in 2009 and 2014. Recorder Carpenter was aware that each contract was issued to a company that employed or was owned by the former deputy recorder's son. The office did not properly solicit bids for at least one project and there is no indication the office compared pricing for a number of smaller projects. The former deputy recorder's conflict of interest, along with her level of responsibility for and involvement in some projects were not consistent with good management practices.
Nepotism	Between June 2010 and January 2012, Recorder Carpenter paid her great nephew \$12,255 for work as a temporary contractor. The Missouri Constitution provides that any public official who names or appoints to public office or employment a relative within the fourth degree shall forfeit her office. Recorder Carpenter resigned from office as a result.
Records Preservation Account Compliance	The recorder's office failed to comply with numerous legal requirements related to a special revenue fund, the Records Preservation Account. Until August 14, 2014, the account was under the complete control of the recorder's office, even though state law requires the account be controlled and checks signed by the city treasurer. During the two years ended June 30, 2015, the recorder's office collected approximately \$453,000 and disbursed approximately \$429,000. Recorder Carpenter also authorized unallowable expenditures from the account, including \$2,378 for rugs for the private offices of the recorder and deputy recorder and \$687 for furniture, decorating items, and cleaning supplies. The recorder's office policy on procurement still does not ensure compliance with state law regarding advertising purchases and competitive bidding, despite a similar finding in a 2010 audit report.
Receipt Controls	The office collected fees totaling approximately \$6.7 million over the course of two years but lacked sufficient procedures to transmit money timely to the city treasurer. Mail receipts are received and processed by the same staff members in three of the office's departments, and no independent review of receipt logs is conducted, increasing the risk of theft or loss. Supervisory approval is not required for voided transactions, and documentation of the

reasons for voiding transactions is inconsistent. Between July 2013 and June 2015, 687 transactions totaling approximately \$141,000 were voided.

Bank Account Controls	The former deputy recorder reviewed bank reconciliations for the Records Preservation Account, but the office did not prepare complete and accurate reconciliations after her termination in September 2014. The office lacks a comprehensive expenditure policy for the Records Preservation Account that provides instructions for basic procedures such as procuring general purchases, advertising for bids, and supporting invoices. Another account, the Credit Card Clearing Account, is not adequately monitored, and money received is allowed to accumulate in the account in excess of what is needed to cover expenses.
Escrow Liability	Title companies, banks, and other customers may establish escrow (prepaid) accounts with the recorder's office. However, the office fails to reconcile its records of money held in escrow to the city's general ledger balance, and errors and unidentified differences remain undetected. Auditors performed a reconciliation of the recorder's escrow report to the city's general ledger balance and found that the city's liability balance exceeded the recorder's liability balance by approximately \$61,000. Recorder's office staff subsequently identified approximately \$23,000 of this difference.
Vehicle Usage Log	Recorder Carpenter failed to maintain a usage log for a city-assigned vehicle she used through July 14, 2014, although she responded to a prior audit recommendation that a usage log had been implemented. Office personnel provided fueling documents and other information showing that the vehicle was driven 5,460 miles during an 18-month period, although Recorder Carpenter reported personal and commuting miles approximately 10,000 more than those 5,460 miles.
Vacation and Medical Leave	The office has significant gaps in its procedures for vacation and medical leave. The vacation policy does not indicate when earned leave will be posted to employee records and available for employee use, and the policy is silent on how leave accruals or payouts are performed for individuals who end their employment mid-year. The medical leave policy does not indicate if employees' unused leave balances are paid or expire upon termination. Supervisory reviews of employee leave balances failed to detect and correct errors in cash leave payouts or posting of earned leave to employee records.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

City of St. Louis

Recorder of Deeds and Vital Records Registrar

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Jeremiah W. (Jay) Nixon, Governor
and
Honorable Sharon Quigley Carpenter, Recorder of Deeds and Vital Records Registrar
City of St. Louis, Missouri

The State Auditor was requested by the Governor, under Section 26.060, RSMo, to audit the City of St. Louis Recorder of Deeds and Vital Records Registrar. We have audited certain operations of the office in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the 2 years ended June 30, 2015. The objectives of our audit were to:

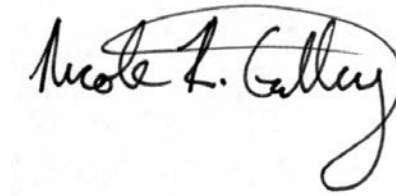
1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, the office's financial records, selected city financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Recorder of Deeds and Vital Records Registrar.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	John Luetkemeyer, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Gayle Garrison
Audit Staff:	Morgan Alexander

City of St. Louis

Recorder of Deeds and Vital Records Registrar

Introduction

Background

The City of St. Louis is recognized as both a city and a county by Article VI, Section 31, Missouri Constitution. The Office of Recorder of Deeds and Vital Records Registrar (Recorder) is a county office organized under the supervision of an elected official as provided by Chapter 59, RSMo, and is subject to state laws applicable to county offices. Any vacancies in the office are filled by the City of St. Louis Mayor, as provided by Section 105.030, RSMo. The operations of the Recorder's office are funded by appropriations from the city's General Fund and by special revenue collected by the Recorder from fees for recording documents as required by state law. As a matter of practical operation, the Recorder's office follows some policies established by the city's charter, code, or ordinances.

The State Auditor was requested by the Governor, under Section 26.060, RSMo, to audit the City of St. Louis Recorder of Deeds and Vital Records Registrar. The following events are significant to our review and are discussed further in the findings reported in the accompanying Management Advisory Report - State Auditor's Findings.

July 11, 2014

Recorder Sharon Quigley Carpenter submitted a letter of resignation to the City of St. Louis Mayor effective July 14, 2014. The resignation was required by the Missouri Constitution after nepotism concerns were raised and made public. Recorder Carpenter had served as Recorder since 1980.

July 14, 2014

Mayor Francis Slay appointed Jennifer Florida to complete the unfinished term of Recorder Carpenter that ended December 31, 2014.

September 18, 2014

The City of St. Louis City Counselor (City Counselor) issued a report regarding bidding and procurement of contracts for renovations to the Recorder's office. The report cited evidence suggesting improper bidding practices for renovation project contracts during 2009 and 2013, conflicts of interest between the former Deputy Recorder and the construction companies that were selected to perform the renovations, and other related issues.

November 20, 2014

The City of St. Louis Office of the Comptroller (City Comptroller) issued a special review of the Recorder's Technology and Archival Account (the Records Preservation Account) that cited concerns regarding questionable expenditures, allegations of nepotism, other matters of noncompliance, and several control weaknesses.

January 1, 2015

Recorder Carpenter resumed the Recorder's duties after being re-elected to a 4-year term ending December 31, 2018.



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Peggy Meeker transferred from another city office to the Recorder's office in 1983. She served as the Deputy Recorder from 1989 through September 15, 2014, when she was terminated by Recorder Florida. Recorder Florida appointed Georgie Simmons as Deputy Recorder and she continues to serve in that position.

Pursuant to the Governor's request the State Auditor initiated an audit of the City of St. Louis Recorder in February 2015. Our audit identified concerns similar to matters reported by the City Counselor and City Comptroller.

City of St. Louis

Recorder of Deeds and Vital Records Registrar

Management Advisory Report - State Auditor's Findings

1. Construction Contracts

Construction contract procurement and construction project policies and procedures need improvement. The City of St. Louis Recorder of Deeds and Vital Records Registrar (Recorder) did not ensure required competitive procurement procedures were followed during the development of several construction contracts and the contracts were awarded to related party vendors. In addition, the Recorder allowed excessive change orders on one project.

The City of St. Louis City Counselor (City Counselor) issued a report on September 18, 2014, regarding bidding and procurement of contracts for renovations to the Recorder's office. The City Counselor's source information included interviews with several staff members of the Recorder's Office and of the city's Board of Public Service (BPS).¹ According to City Charter, Article XIII, Section 9, the BPS supervises all public work and improvements undertaken by the city. However, city officials indicated because the Recorder's office is a county office, it is not required to use the BPS, but the BPS would provide assistance in administering contracts and construction work if requested. City officials also indicated the BPS is not responsible for ensuring that county offices comply with bidding requirements. There is no indication the City Counselor's Office interviewed Recorder Carpenter.

In 2009 and 2013, the Recorder contracted for significant renovations to the Recorder's offices and customer service facilities in City Hall. In addition, several smaller renovation projects were completed in 2009 and 2014. The following payments were made to contractors from the Recorder's Records Preservation Account.

Project date and description	Contractor payments
2009 renovations	\$ 203,955
2009 mail slot and lettering	3,144
2009 project design for 2014 renovations	1,350
2013 renovations (paid in fiscal year 2014)	103,629
2014 cashier window (paid in fiscal year 2014)	1,225
Total construction expense	\$ 313,303

All of the above projects were completed and paid for during Recorder Carpenter's tenure.

¹ The City Counselor's report indicates the following individuals were interviewed:

- Former Chief Deputy to the Recorder
- Internet Technology Manager for the Recorder
- Clerk to the Recorder
- Employees of the Recorder who requested anonymity
- President of the BPS
- Chief Construction Engineer of the BPS
- Project Manager of the BPS
- Former Project Manager of the BPS
- Chief Design Engineer of the BPS
- Contract Supervisor of the BPS



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1.1 Contracts for renovation services

Recorder Carpenter's office authorized contracts for all of the above projects although the Recorder was aware that each contract was issued to a company that either employed or was owned by the former Deputy Recorder's son. The former Deputy Recorder's son was involved in preliminary project scope and design services for both the 2009 and 2013 renovation projects. The former Deputy Recorder's son also worked for the company that performed the large 2009 renovation project and owned the company that performed services on the four subsequent contracts. The former Deputy Recorder's conflict of interest, along with her level of responsibility for and involvement in the projects were not consistent with good management practices.

2009 renovations

Recorder Carpenter's office solicited bids for the 2009 renovation project with the assistance of the city's BPS. The employer of the former Deputy Recorder's son was not pre-certified by the BPS at the time the project was in design phase; however, the company became pre-certified before solicitation of bids. The City Counselor's report indicates the Recorder required the BPS allow this company to bid on the project. However, Recorder Carpenter indicated she disagrees with the City Counselor's report and she did not require that this company be allowed to bid on the project. The City Counselor's report also indicates there is no evidence the BPS was aware of the former Deputy Recorder's conflict of interest during the design or bidding phases of the project.

The report issued by the City Counselor indicates the BPS became aware of the relationship during the pre-construction meeting after the contract was awarded. Although the vendor selected by Recorder Carpenter was the employer of the son of the former Deputy Recorder, BPS personnel indicated the bid process appeared to result in the selection of the best and lowest bid. Our review indicated the BPS provided appropriate bid management services.

2013 renovations

In 2013, Recorder Carpenter's office did not properly solicit bids for the renovation project. Although two bids were received for the project, advertising for bids was not conducted as required by state law. Recorder Carpenter accepted the low bid submitted by the former Deputy Recorder's son.

The first bid was submitted by the former Deputy Recorder's son. The second bid was received a few hours after the first bid; however, it is unclear why the second bid was received since Recorder Carpenter indicated bids were not solicited for the project. The report issued by the City Counselor indicated it is unknown how the second bidder became involved in the bidding process. In addition, the report indicated the former Deputy Recorder's son and an officer of the company that submitted the second bid had previously worked together at another construction



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company. We noted the bids were essentially identical except for the letterhead on the bids and the slightly higher pricing on the second bid. The second bid included wording identical to the bid received from the former Deputy Recorder's son indicating a specific component would be supplied by the company owned by the former Deputy Recorder's son.

Recorder Carpenter accepted the bid received from the former Deputy Recorder's son and requested project oversight services from the BPS for the construction phase of the project. The City Counselor's report indicates the BPS verbally recommended advertising and formally bidding the project to the former Deputy Recorder, but she declined to do so. The report also indicates there is no evidence the former Deputy Recorder informed the BPS that her son submitted the bid accepted by Recorder Carpenter and the BPS became aware of the related party concern after construction began.

2009 and 2014 minor
project procurements

In 2009 and 2014, Recorder Carpenter's office entered into three separate minor contracts for design and construction services with the company owned by the former Deputy Recorder's son. While these projects were not subject to statutory requirements for advertisement or bidding, there is no indication that Recorder Carpenter performed any procedures to obtain comparative pricing, ensure fair value was received for the monies spent, or mitigate the related party concern. Recorder Carpenter did not request BPS assistance in the procurement or construction management of these three projects.

State law requires
competition for significant
procurements

State law requires competitive procurement practices for significant contracts and purchases. Section 50.660, RSMo, requires due opportunity for competition for contracts and purchases with any one vendor in a 90 day period including bids for purchases exceeding \$4,500 and advertisement of the proposed contract for purchases of \$6,000 or more. In addition, as an elected official, the Recorder has fiduciary duty to carry out the functions of the office in the best interest of the citizens.

The Recorder should ensure contracts are issued only after due opportunity for competition. Any decision involving a contract should be made by an independent individual or office. Soliciting bids as required by state law helps ensure fair value is received for the monies spent on services and instills public confidence in the Recorder's business practices.

A similar condition was noted in our prior audit Report No. 2010-16, *City of St. Louis Office Of Recorder Of Deeds*, issued in January 2010.

1.2 Change orders

The former Deputy Recorder and the BPS authorized change orders that increased the 2013 renovation project cost by a substantial amount. The initial design services were performed under a 2009 contract between the Recorder and the company owned by the former Deputy Recorder's son. It



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appears the 2009 design was not adequate to ensure the project addressed all work needed or desired by the Recorder in 2013. The original contract for the 2013 renovation project was issued for \$81,758. However, two change orders increased the cost of the project by \$29,625 or 36 percent of the original contract amount.

The original project scope provided for renovations in two of the Recorder's service divisions. The first change order significantly expanded work for customer service counters in both of the divisions, added construction of new windowsills, added installation of fiber optic cable, and provided for related demolition. The second change order significantly modified the design of employee work stations in one of the divisions to properly accommodate electrical supply and to mitigate significant safety hazards created by the original design.

While change orders often occur on construction contracts, they should be used only to make adjustments for minor problems that are unknown when construction projects are originally bid. Change orders should be kept to a minimum to ensure the maximum amount of construction costs are competitively bid. Change orders should not be used to make significant changes to existing contracts. If the scope of a project changes substantially, consideration should be given to separately bidding those parts of the project.

Recommendations

The Recorder:

- 1.1 Properly bid all contracts and services in accordance with state law. In addition, refrain from entering into business transactions with related parties unless the transactions are bid in compliance with state law and the procurement process is conducted by an individual or entity not under the supervision of the Recorder's office. Bids should be critically reviewed to ensure fair and open competition is achieved.
- 1.2 Ensure the scope of contracted services is properly developed before accepting bids or awarding contracts and give consideration to conducting bidding for separate project services when substantial project changes are needed.

Auditee's Response

Recorder Carpenter provided the following overall comments:

The term "related parties" seems to assume Recorder Carpenter is related either biologically or socially with the contractor. The Recorder knows the previous Chief Deputy's son, but has had rare contact with him. The Recorder had an excellent working relationship with the former Chief Deputy professionally but that was the extent. Because of years of



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outstanding service and adherence to the law, the Recorder was not aware that BPS had not handled the process from start to finish until the Recorder had left office.

As the State Auditor's Office verbally recommended changes, the Recorder's office documented and implemented changes.

The Recorder of Deeds office has already written and implemented 4 new policies to comply with recommendations of the State Auditors. The new policies are:

- 1. Renovation/Construction Policy*
- 2. Credit Card Residual Funds Disposition Policy*
- 3. Pro-Rating Vacation Policy*
- 4. Over Payment Policy*

A complete Recorder of Deeds (ROD) response to the state audit will be available at <http://www.stlouiscityrecorder.org> upon release of final audit report.

It has always been my view that audits are not simply necessary but a positive influence on a public office. While this audit is quite different in some respects from audits performed during my 35 years as ROD, it has provided many recommendations that will provide for greater accountability for the ROD office. Many of these recommendations are already implemented while other recommendations are in process. This audit proved illuminating by clarifying state statute requirements. This information provides a greater understanding for the ROD and staff.

In addition to the preceding overall comments, Recorder Carpenter provided responses pertaining to individual report recommendations. Responses provided by the Recorder refer to various exhibits, and those exhibits are included in the Auditee Exhibits section of the report.

1.1 BPS did the RFP; BPS did or should have done any advertising as per their normal procedures. BPS received all SEALED bids and opened them on their designated date. If BPS only allows their pre-certified vendors, I would be interested to see how and who they notified of this requirement other than hearsay. If BPS did not follow their established procedures, how can this reflect on the Recorder? RFP number 2009-00-180 clearly states from BPS that the Employer of the former Chief Deputy's son was listed as a pre-certified vendor. (See exhibit 1; BPS, RFP #2009-00-180)

When asked, the Recorder told the former Chief Deputy to instruct companies to go to BPS to be put on the BPS bidders list. ROD has no knowledge of BPS requirements to become a bidder. At no point



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did ROD try to circumvent BPS procedures or require any company be allowed to bid. ROD had no vested interest in the project other than it being completed correctly. ROD was unaware that ROD was expected to notify BPS of design services performed, since the design was given to BPS where upon BPS made change recommendations which were accepted.

The audit does say BPS provided appropriate bid management services and indicated the bid process appeared to result in the selection of the best and lowest bid by Recorder Carpenter. With that being said, if BPS provided appropriate bid management services, they should have never accepted bids from any vendor if they did not meet appropriate requirements no matter how they got on the list. If bids are only accepted from BPS pre-certified vendors, it would defeat the purpose of sending out RFPs to get bids from other local companies. This does not ensure that the Recorder can do what is in the best interest of the office and the citizens as per state law.

The Recorder had instructed that BPS be contacted to handle the renovation in 2013 as had been done in 2009. When asked, the Recorder instructed the former Chief Deputy to have companies go to BPS to become a bidder. The bids were given to the Recorder in the same manner as in 2009. The Recorder chose the low bid. The Recorder, at the time, the bid was accepted, was under the impression that the RFP and bid process had been handled by BPS.

The Recorder was never advised by BPS of any requirements by phone, memo, or e-mail. The Recorder would ask for BPS to provide documentation of these statements. At no point did the Recorder decline any recommendation made by BPS.

The City Counselor report references a phone call between Former Chief Deputy Peggy Meeker and Tom Behan of BPS, stating that they verbally suggested that Meeker obtain more bids. There is nothing in the report stating that BPS spoke with Recorder Carpenter at any time about obtaining more bids. If this did not meet the requirements of BPS they should not have proceeded with oversight of project and should have contacted the Recorder personally if they wanted more bids. (See exhibit 2)

In both the 2009 and 2013 renovation projects, the Recorder was provided bid information for review in a similar manner. (Contents provided within a folder). The audit report on Page 7 states that bid process appeared to result in the selection of best and lowest bid for the 2009 project. Since the review process was the same, the



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Recorder was unaware at the time that proper procedures were not followed, only that the lowest bid was selected. The audit report on page 7 states that Recorder Carpenter indicated bids were not solicited for the 2013 project. At the time that the Recorder reviewed what was provided to them, this was not an accurate statement. The City Counselor's office did NOT interview the Recorder during their investigation.

The audit states that BPS recommended advertising and formally bidding the project to the former Chief Deputy, but she declined to do so. The Recorder is unaware of any notification or documentation either verbally or in writing that would indicate that she was made aware of this recommendation. If this was not done appropriately as they indicated, why would BPS agree to manage the project? The Recorder would suggest that it is BPS responsibility to ensure that the projects that they manage are done correctly. Has any documentation been provided to back-up BPS claims? The Recorder was never asked about these assertions.

For the auditor to assume that undocumented statements from BPS are fact, is unprofessional and Chapter 3 (General Standards) of the Government Auditing Standards Manual provides guidance on handling these issues.

It states in 2009 and in 2013 that BPS became aware of related party concerns. If BPS became aware of this relationship in 2009, would it not be fair to say that the person with the same name was still a related party concern before the work began. Not early during the construction work as the report suggests?

The audit report states that for the minor projects cited, there are no statutory requirements for advertising or bidding; however, the report suggests that the Recorder did not meet some requirements for comparative pricing to ensure fair value. The Recorder will seek clarification from auditors on when comparative pricing becomes necessary based on state statutes. This will then be added into the Recorder's new Procurement Policy which is still under development.

The ROD concurs with the auditors recommendations for properly following bidding procedures and has therefore developed a policy in regards to construction and renovations projects. (See exhibit 3)

- 1.2 *Under construction contracts (page 6), it is cited that the Recorder allowed excessive change orders. BPS managed BOTH the 2009 and 2013 projects. Even though the office requested things be*



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changed, all change orders were written and approved by BPS. BPS staff are the professional construction managers for projects. If we were doing anything wrong in requesting changes or they were excessive, we were never informed of it either being wrong or excessive.

All change orders were done through BPS with their approval. If the office was doing excessive change orders, we were never notified either verbally or in writing that we needed to get separate bids. The Recorder's office has no professional construction project managers on staff, so we would have no other way of knowing this was excessive unless we received some sort of direction from the BPS professionals.

The ROD concurs with auditors' recommendations for better development on project scope. ROD will rely on BPS as project management experts to provide guidance for substantial project changes.

Auditor's Comment

- 1.1 This audit was conducted in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our office has an extensive quality control system in place to ensure compliance with auditing standards. The SAO regularly submits to an external peer review to ensure compliance with those standards. The most recent peer review report can be viewed at <http://auditor.mo.gov/aboutus/peerreview>. It concluded our system of quality control was suitably designed and complied with to provide reasonable assurance of conforming with government auditing standards.

As an elected official, the Recorder has fiduciary duty to carry out the functions of the office in the best interest of the citizens. Bids should be performed in a manner to ensure fair and open competition is achieved. When contracts are awarded to vendors that are related to the Recorder's staff, the Recorder should perform procedures to obtain comparative pricing and ensure fair value is received for the monies spent in order to mitigate the related party concern.

2. Nepotism

The Recorder, Sharon Carpenter, hired her great nephew to work as a temporary contractor. Between June 2010 and January 2012, Recorder Carpenter paid \$12,255 to her great nephew to perform document archival services.



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Effective July 14, 2014, Recorder Carpenter resigned from office as required by the Missouri Constitution after the nepotism concerns were raised and made public. Recorder Carpenter indicated she misinterpreted the legal requirements related to hiring relatives when she hired her great nephew.

Article VII, Section 6, Missouri Constitution, provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office.

Recommendation

The Recorder consult legal counsel regarding matters of legal interpretation and ensure compliance with the Missouri Constitution related to hiring relatives.

Auditee's Response

The Recorder concurs with future consultation with legal counsel. The Recorder's reading of Missouri's nepotism law was from the standpoint of Standard English grammar. Checking the word "within" in all standard dictionaries give examples of "within" as a boundary word, not an inclusive word. There is no way to know legislative intent at this late date, acceptance of the word "within" as inclusive which has been decided by someone other than the legislators who passed the law. In the future, legal counsel will be sought by the ROD prior to decisions.

Auditor's Comment

The legal prohibition against the hiring of a great-nephew is a clear violation of a constitutional provision, not a statute implemented by legislation. The Recorder should seek legal counsel when actions and decisions pertain to significant legal provisions.

3. Records Preservation Account Compliance

The Recorder's office did not comply with numerous legal requirements related to the Records Preservation Account. The Recorder currently maintains this special revenue fund in a separate bank account under the control of the City Treasurer as required by statute. Fees are collected as required by statute and deposited in the account. Until August 14, 2014, the bank account was completely under the control of the Recorder's office. On that date, the account balance was placed in the custody of the City Treasurer and checks are now signed by the City Treasurer's office after the Recorder's office prepares them. The Recorder's office collected records preservation and technology fees totaling approximately \$223,000 and \$230,000 during the years ended June 30, 2015 and 2014, respectively. Disbursements of approximately \$206,000 and \$223,000 were made from the account for the fiscal years ended June 30, 2015, and June 30, 2014, respectively.

3.1 Restricted revenues

The Recorder has not established adequate procedures to ensure restricted monies are expended only for statutorily allowed purposes. Fees assessed for record storage, microfilming, and preservation, and fees assessed for



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technology are commingled in a ledger with other monies collected by the Recorder's office rather than being accounted for in separate funds. State statutes establish different allowable uses for these fees. Adequate accounting records are not maintained to ensure the sources and uses of funds are accounted for separately and; therefore, there is little assurance that each source has been properly spent for its specifically allowable purpose.

When receipts and disbursements associated with restricted monies are maintained in the same bank account, separate accounting should be established to track their usage and ensure compliance with state laws.

3.2 Unallowable expenditures

Recorder Carpenter authorized unallowable expenditures from the Records Preservation Account. Monies deposited in the Records Preservation Account are to be used only for purposes allowed by state law. However, we noted expenditures clearly not in compliance with state law and others insufficiently documented to determine compliance.

We selected and reviewed in detail 35 of 370 expenditures made from the account between August 2009 and June 2015. Recorder Carpenter authorized the following expenditures totaling \$3,761 that are not allowable uses of the Records Preservation Account.

- \$2,378 - rugs for the Recorder's and Deputy Recorder's private offices
- 687 - furniture, decorating items, cleaning supplies
- 419 - legislative meetings
- 145 - food and entertainment
- 132 - notary association membership

Recorder Carpenter also authorized travel and conference expenditures for attendance at Missouri and international recorder association meetings without sufficient documentation to determine compliance. Documentation retained in the Recorder's disbursement files was insufficient to verify if all conference sessions and travel activities related to records storage, microfilming, and preservation, or to the purchase, installation, or upgrade of modern technology for the office. Our review indicated conference and travel expenditures from the Records Preservation account stopped in August 2014 after Recorder Florida was appointed to the office. Recorder Carpenter resumed paying travel expenditures from the account in April 2015. Of the \$7,393 expended from the account for conference and travel expenses during the 2 fiscal years ended June 30, 2015, we reviewed the following expenses totaling \$6,094:



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\$3,341 - hotel or conference facility
1,200 - international recorder's association conference registration fee
1,023 - personnel reimbursements
179 - food
351 - travel and fuel

In addition, Recorder Carpenter authorized construction expenditures that were only partially statutorily compliant or were not sufficiently documented to demonstrate compliance. Our review of construction invoices for the 2009 and 2013 major renovation projects and for several smaller projects in 2009 and 2014 indicated that some of the expenditures were related to the purchase and installation of newer or more efficient technology that also supported storage and archival of records as allowed by Sections 59.800.1(1) and 59.319.1, RSMo. Because the Recorder's office documentation did not provide sufficient details regarding the amounts that were related to improving technology and archiving records, we were not able to confirm statutory compliance of construction expenditures. However, some construction expenses, such as new flooring and painting, appear to be general upgrades to the office that were unrelated to technology or storage and archival of records.

Recorder Carpenter indicated that she believes the language in Section 59.319.1, RSMo, that states "including anything necessarily pertaining thereto" provides a broad interpretation of the statute. However, it is unlikely this interpretation is correct because allowing the monies collected under Section 59.319, RSMo, to be spent on a broad range of activities associated with duties of the Recorder would undermine the legislative intent of the statute. Such an interpretation would effectively bypass the restrictions as stated in the section. Recorder Carpenter has not obtained any legal opinions specifically related to allowable expenditures of the monies maintained in the Records Preservation Account. The City of St. Louis Office of the Comptroller's report, Recorder of Deeds Technology and Archival Account, dated November 20, 2014, included similar findings.

Section 59.319.1, RSMo, requires the \$2 document recording fee be used for record storage, microfilming, and preservation, including any additional expenses related to record storage, microfilming, and preservation. Section 59.800.1(1), RSMo requires the \$1.25 document recording fee be used only for the purchase, installation, upgrade and maintenance of modern technology necessary to operate the recorder's office in an efficient manner.

3.3 Annual budgets

The Recorder's office did not prepare budgets for the Records Preservation Account for the fiscal years ended June 30, 2015, and June 30, 2014. Recorder Carpenter indicated that the account has not been budgeted through the city's Board of Estimate and Apportionment because doing so would reduce the Recorder's General Fund appropriation from the city and



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result in expenditures that are now paid from the General Fund to be paid by the Records Preservation Account. However, Recorder Carpenter has also not developed an internal working budget.

Section 59.319.1, RSMo, requires every recorder to budget the associated fees. In addition, Sections 50.525 to 50.745, RSMo (The County Budget Law), require counties to prepare annual budgets for all funds, describe details to be provided in budget documents, and provide timeframes for the completion of certain aspects of the budgetary process. By preparing budgets for the Records Preservation Account, the Recorder can present a complete financial plan to the citizens and can more effectively monitor and evaluate financial resources.

3.4 Procurements and bidding

The Recorder's written procurement policy does not ensure compliance with state law. The policy establishes bidding requirements for document archival or technology purposes; however, there are no requirements for advertising purchases and there are no requirements for general purpose purchases. As a result, some purchases were not bid or advertised in compliance with state law.

In addition to the concerns identified in MAR finding number 1.1, the Recorder also did not bid or advertise several additional purchases from the Records Preservation Account in compliance with state law. A purchase in December 2014 totaling approximately \$20,900 for scanning equipment used to archive documents was bid but not advertised. A purchase in October 2014 totaling approximately \$10,600 for records storage supplies was not bid or advertised.

State law requires competitive procurement practices for significant contracts and purchases. Section 50.660, RSMo, requires due opportunity for competition for contracts and purchases with any one vendor in a 90 day period including bids for purchases exceeding \$4,500 and advertisement of the proposed contract for purchases of \$6,000 or more. The Recorder should develop a policy that properly reflects statutory requirements, addresses all procurement aspects of contracts and purchasing, is routinely used for major purchases, ensures necessary services are obtained from the best-qualified vendor at a reasonable cost, and ensures all interested parties are given an equal opportunity to participate.

A similar condition was noted in our prior audit Report No. 2010-16, *City of St. Louis Office Of Recorder Of Deeds*, issued in January 2010.

3.5 IRS reporting

The Recorder did not ensure payments to individuals were properly reported to the IRS when required.



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The Recorder hires temporary contractors who are paid from the Records Preservation Account to perform document archival services. Although payments to most of these individuals did not exceed the reporting threshold, our review of payments during calendar years 2013 and 2014 indicated one individual was paid \$5,946 during 2014. This individual's payments were not reported to the IRS on a 1099-MISC form as required.

Sections 6041 to 6050W of the Internal Revenue Code require non-wage payments of at least \$600 in one year to an individual be reported to the federal government on a 1099-MISC form.

Recommendations

The Recorder:

- 3.1 Establish separate funds or a separate accounting of the Records Preservation Account monies.
- 3.2 Expend the Records Preservation Account monies in accordance with state law.
- 3.3 Ensure an annual budget is prepared for the Records Preservation Account.
- 3.4 Develop and adhere to a procurement policy that properly reflects statutory requirements and addresses all procurement aspects of contracts and purchasing.
- 3.5 Ensure 1099-MISC forms are issued when required.

Auditee's Response

- 3.1 *This account was registered with the City Treasurer's office since its inception and audited annually by the Treasurer's audit firm. As the ROD understands it, this is still the policy.*

The Treasurer's office policy is not to maintain this account but rather have these accounts audited. There are also two ways that fees can be viewed to show separation. 1. Viewing the cashiers daily cash book 2. Reports can be printed out and viewed.

More often than not technology is used in the preservation of documents. As an example, "Hands Free Microfilm" is solely for the purpose of preservation but is completely technology driven. While the ROD understands the two referenced state statutes, the feasibility of separation is questionable. The Recorder has implemented a new procedure to better track fees as per Sections 59.319.1 and 59.800.1(1), RSMo.



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Reports are printed on a daily and monthly basis showing the two sources of fees according to state statutes. The disposition of funds will be shown on the annual budget for the Records Preservation Account.

- 3.2 *The vast majority of the construction expenses starting in 2009 occurred as a result of the need to upgrade to a new Technology Recording system. This required that more clerks were at customer counter locations. At that time, we also corrected wiring problems which were both fire and safety hazards. Cubicles were necessary to prepare for voice command audio.*

Workstation chairs - Recorder believes that employees using technology must be provided all necessary equipment to accomplish the work, including work station chairs.

Furniture Etc. - Recorder authorized a bench for disabled customers, picture frames, and supplies to clean after renovation. Also the rugs purchases were part of the renovation and the rugs are property of the City of St. Louis. Picture frames with archival photos are available for viewing in the office.

Legislative meetings - These meetings of the Records' Association of Missouri provide a forum for updating legislation to provide for new technology. In the future more in depth documentation of subject matter will be required. At the larger meeting or training sessions attended by the Recorder's staff members, each employee is given a certificate for participation, and the certificate is filed in the employees personnel file.

The food and entertainment expenses listed as unallowable expenses were for small snack related items during the Mayor's Open House, so the public could visit and see what services each office had within City Hall. This event provided an opportunity to demonstrate the technical advances in the office as well as the services provided by the archives department. There will be no such expenditure in the future.

The Recorder's office used this opportunity to demonstrate our state of the art technology and our archival research section to the public.

Notary Association - This was done only once and will not occur again in the future.



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The Recorder of Deeds concurs with auditors on improving expenditures policies for the Records Preservation Account. This will be addressed as part of our new procurement policy.

Travel Expense - The Recorder authorized these expenses because sufficient travel has not been provided in general revenue. It is impossible to keep up with either best practices and preservation of records or the ever evolving technological advances by never participating in conferences, training seminars, etc. In the future, greater documentation will be required in order to receive reimbursement.

- 3.3 *The Recorder shall appoint a minimum of three Recorder's staff to prepare an annual budget for the Records Preservation Account. This budget shall be approved by the Recorder. The approved fund budget will be monitored by the Chief Deputy Recorder in order to assure adherence. Should, during the fiscal year changes become necessary, the reason for the change shall be set out in writing along with complete documentation.*

Much of Sections 50.525 to 50.745, RSMo (County Budget Law), referenced in the audit report for preparing and filing annual budgets do not account for first class counties with a charter form of government. The ROD will seek clarification to meet auditor recommendations.

In the previous 35 years in office and having three previous state audits during this period there has never been mention of any discrepancies with the County Budget Law.

- 3.4 *A new procurement policy is being drafted. This procurement policy will not be completed until a full understanding on the use of city, state, and NASPO formally known as WSCA contracts are completed. ROD is studying and evaluating city, state, and NASPO contract requirements and will comply.*

The current Recorder is unable to respond to information regarding purchases in October 2014 and December 2014 in the amounts of \$10,600 and \$20,900, since those decisions were handled under previous Recorder Florida.

- 3.5 *Working with the Comptroller's office, a procedure has been developed to assure that a 1099-MISC form is provided to each contract employee. This procedure was implemented immediately in 2015 upon verbal notification from audit staff.*



Auditor's Comment

3.3 The City of St. Louis is recognized as both a city and a county by Article VI, Section 31, Missouri Constitution. The Office of Recorder of Deeds and Vital Records Registrar is a county office and is subject to state laws applicable to county offices. Budgeting all funds received and disbursed by the office provides transparency and allows for proper financial planning.

4. Receipt Controls

We identified several weaknesses in the receipting controls and procedures in the Recorder's office. The office collected document recording fees and other fees totaling approximately \$3.3 million and \$3.4 million during the years ended June 30, 2015 and 2014, respectively.

4.1 Timely transmittals

Cash, check, and money orders received are not transmitted to the City Treasurer timely. During the fiscal year ended June 30, 2015, daily transmittals averaged approximately \$13,800; however, the monies were transmitted 3 days after receipt. The Recorder's office began accepting credit card payments in September 2013. Prior to that time, the Recorder's office transmitted receipts daily. However, since the credit card transactions do not clear the Recorder's Credit Card Clearing Account for several days, a three day lag was implemented so that cash, checks, money orders, and a check from the Credit Card Clearing Account for each day's transactions could be transmitted together. Receipts were balanced to revenue reports on a daily basis and then held in the cashier's safe until transmitted to the city.

The failure to transmit monies timely increases the risk of loss, theft, or misuse of funds.

4.2 Mail receipts

The Recorder's office current controls over mail receipts do not segregate receiving and processing functions, and independent reviews are not performed.

The four departments of the office (Land, Archives, Vital Records, and Marriage) receive information requests and documents to record through the mail. Daily mail is initially received by the front office staff and sorted by department. The front office staff opens the Land Department mail and prepares a log. For the remaining departments, a blank log sheet is attached to the mail. All mail is distributed to the departments for further processing.

The remaining three departments prepare their own log. All departments take monies to the cashier to be receipted, return any rejected documents directly to the customer, and return a copy of the log to the front office. Copies of the customer receipts are retained by the cashier but copies of the receipts are not attached to the logs by the departments nor are the receipt transaction numbers recorded on the logs. As a result, there is less ability to verify the proper disposition of the receipts.



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Because logs are not prepared by an independent person for the Archives, Vital Records, and Marriage departments there is less assurance that all monies received in the mail are recorded on the mail logs. In addition, attaching or referencing cashier receipts to the departments' mail logs would facilitate independent reviews to ensure all monies received in the mail are remitted to the cashier for deposit.

Adequately detailed mail logs combined with proper segregation of duties and/or an independent or supervisory review are necessary to ensure all mail receipts are accounted for and properly recorded in the cashier records.

4.3 Voided transactions

Voided system transactions do not require supervisory approval, are not periodically reviewed by an independent person or supervisor, and are not adequately documented. A report of transactions voided between July 2013 and June 2015 listed 687 transactions totaling approximately \$141,000.

Only the cashier's office can void monetary transactions. There are no supervisory reviews performed of voided transactions to ensure the entries are proper.

We performed a review of ten voided transactions, including the five largest transactions totaling approximately \$120,000, and identified that documentation of the reasons for voiding transactions is inconsistent. In addition, voided monetary transactions are not referenced to replacement transaction numbers when possible. The Recorder's IT staff performed research into the transactions' underlying data and provided reasons for and ultimate resolution of the voided transactions we reviewed. Additional documentation provided by IT staff adequately explained the voided transactions.

To ensure all voided transactions are valid and to reduce the risk of loss, theft, or misuse of funds, proper documentation should be maintained and someone independent of the receipting and recording function should review and approve these transactions.

Recommendations

The Recorder:

- 4.1 Transmit cash, check, and money order receipts to the city, separate from the credit card collections, each day as they are received.
- 4.2 Require an independent person prepare an initial record of monies received in the mail. Record receipt transaction numbers on the log or attach duplicate copies of customer receipts to the log. Require periodic, independent reviews of the mail logs and disposition of receipts received in the mail.



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4.3 Ensure adequate documentation is maintained to support all voided transactions and ensure an independent review and approval of these transactions is performed and documented.

4.1 *Timely transmittals of funds were corrected July 21, 2015. This was the same day auditors made a verbal recommendation to correct. Since that day we have implemented a policy to make daily deposits.*

4.2 *The ROD mail log system is exceedingly rare. A mail log is not required by law and perhaps 1% of the mail contains cash. All mail is received and date stamped in the front office every day. The mail is then separated by departments. Each department supervisor except Land Records receives their mail and the mail is usually assigned to the same person daily. Land Records is logged in by the front desk due to the department capacity of mail most days. The mail can be cross referenced three ways, checking the daily log in any department, checking with the cashiers to verify receipt of funds and checking the receipts that are kept in the cashiers' office. Since the mail log is not a legal requirement, and the audit does not show that funds have been misplaced or stolen, the Recorder questions why this is a part of the audit.*

The Recorder management staff reviewed a six month period for cash transactions. The mail logs with cash totaled \$1,135.50 for the six months. The Recorder will attempt to meet the auditors' recommendation for an independent person to be assigned mail logging duties, however it may be difficult to justify a \$29,000 a year position to track an estimated \$2,271 in cash annually. Recorder will submit a letter of request to Board of Estimate and Apportionment to meet the auditors' recommendations.

4.3 *The majority of the transactions that were voided occurred during the earlier part of the audit because the electronic records management AVID Program was still relatively new. There were no monetary discrepancies as a result of any voided transactions. This is not stated as clearly as the amount of and number of voided transactions. As an example, on 8/15/2013 an escrow deposit transaction was entered in error as \$76,660. This was voided and re-entered on the same day as a new transaction in the amount of \$7,660. (See exhibits 4 and 5)*

The fact that no monetary discrepancies were shown should have been included in the audit report.

Voided transactions only occur with monetary transactions and are completed by the centralized cashiers. To void a transaction



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requires a biometric fingerprint to complete with a reason for the void stated. Auditors watched the void process several times during their review process.

ROD concurs with audit recommendation for independent review. Changes were implemented starting in September 2015. There are reasons recorded in the database for voided transactions. I.T. staff has worked with the vendor to produce a report for voids only that will show the reasons for those voids. This will be reviewed by management on a monthly basis.

Auditor's Comments

- 4.2 Our recommendation does not suggest or require the need for an additional employee.
- 4.3 Although the Recorder's IT staff provided documentation to adequately explain the 10 voided transactions we reviewed, there were no supervisory reviews performed to ensure all voided transactions were proper. Proper handling of these transactions was not evident in the records and additional research was necessary to determine the validity of the transactions.

5. Bank Account Controls

Controls and procedures related to the Recorder's Records Preservation and Credit Card Clearing bank accounts need improvement.

5.1 Records Preservation Account bank reconciliations

Complete and accurate bank reconciliations were not prepared for the Records Preservation Account and adequate supervisory reviews of the reconciliations were not performed. The former Deputy Recorder performed and documented reviews of the bank reconciliations, but reconciliations have not been reviewed since her termination in September 2014. Our review of the February 2015 reconciliation identified that the book balance of approximately \$340,000 was not accurately stated due to two old outstanding transactions totaling approximately \$900 that had not cleared the bank and had not been followed up on. We determined both transactions were duplicate entries in the accounting software that needed to be reversed.

Documented supervisory reviews of bank reconciliations are necessary to ensure the reconciliations are complete, accurate, and differences are adequately investigated and explained. Supervisory reviews provide assurance that bank and book balances have been properly reconciled, and that book balances are accurately stated.

5.2 Records Preservation Account expenditure controls

The Recorder's expenditure policy is incomplete. The policy does not contain instructions for numerous basic procedures including requirements for: procurement of general purchases unrelated to technology or archival supplies, advertisement for bids, documentation of bidding and price



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quoting, supporting invoices, supervisory approval, and indication of receipt of items purchased. Lack of complete policies contributed to incomplete documentation of the office's procurements including information necessary to ensure all payments represent valid and appropriate purchases. The weaknesses noted below were identified during our review of expenditures made from the Records Preservation Account bank account prior to July 2014 when Recorder Carpenter resigned. The policy should be updated to address these weaknesses and applicable records reviewed periodically for compliance by the Recorder.

As indicated in MAR finding number 3, this bank account was completely under the control of the Recorder's office until August 2014. Recorder Carpenter resigned from office in July 2014 and in August 2014 Recorder Florida closed the bank account and opened a new account in cooperation with the City Treasurer. The City Treasurer now holds signatory authority for disbursements from the account.

- Supporting documentation was not adequate for some expenditures. For example (1) debit card purchases sometimes did not include an itemized receipt, (2) conference and training documentation did not include proof of attendance or detailed information to verify the expenditure met allowable criteria, and (3) documentation for payment for a window air conditioning unit was a city maintenance purchase requisition, not an invoice from the vendor.
- Supervisory review and approval of some expenditures was not documented.
- Receipt of goods was not documented for some expenditures.

Without adequate payment processing policies, controls, and procedures, such as ensuring supporting documentation is complete and sufficient, documenting supervisory review and approval of expenditures, and ensuring goods and services are received prior to payment, the Recorder cannot ensure all payments made are valid and appropriate.

5.3 Credit Card Clearing Account balance

The Credit Card Clearing Account balance is not adequately monitored and is in excess of current needs.

Recorder Carpenter opened a bank account in September 2013 to facilitate the receipt of customer credit card payments. As of June 30, 2015, collection of document recording fees and customer convenience fees totaled approximately \$316,000 and \$6,000, respectively. Document recording fees transmitted to the city and banking fees totaled approximately \$301,000 and \$1,000, respectively, leaving a remaining cash balance of approximately \$20,000.



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Customer convenience fees are allowed to accumulate in the bank account and are used to cover the account's service fees and other administrative expenses such as check order charges. However, no summary records are maintained to track the balance due to the city or ensure the remaining cash balance agrees to the accumulated total of the customer convenience fees less banking fees and administrative expenses. In addition, the accumulated balance is in excess of amounts needed to cover expenses.

Monthly lists of liabilities and other cash on hand should be prepared and reconciled to cash balances to ensure records are in balance, errors are detected and corrected timely, and sufficient funds are available for payment of all liabilities. The cash balance in excess of current needs should be transmitted to the City Treasurer to reduce the risk of loss, theft, or misuse of funds.

Recommendations

The Recorder:

- 5.1 Ensure supervisory reviews of the Records Preservation Account bank reconciliations, accounting records, and bank records are performed and documented.
- 5.2 Improve expenditure policies, controls, and procedures of the Records Preservation Account, including required documentation, supervisory approval, and indication of receipt of goods to ensure all payments made represent valid and appropriate purchases.
- 5.3 Prepare a monthly list of the Credit Card Clearing Account liabilities including undistributed customer convenience fees and compare to the reconciled bank balances. Any differences should be promptly investigated and resolved. In addition, the cash balance in excess of current needs should be transmitted to the City Treasurer.

Auditee's Response

- 5.1 *The ROD concurs with auditors on necessity for bank reconciliations. This occurred during the move of the account to the Treasurer's office and appointment of new Chief Deputy. Reconciliations are being done and reviewed as they were previously.*
- 5.2 *Completion certificates for conferences are located in personnel files of employees that attend them. These are available upon auditors' request. Also, there is no longer a debit card assigned to ROD account.*

Grainger was an emergency purchase with the help of the Facilities Management Department, in ordering an air conditioning window unit for our I.T. equipment. This air conditioning unit was a



City of St. Louis
Recorder of Deeds and Vital Records Registrar
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necessary purchase to save \$1.2 million of computer equipment from overheating. Had the auditors requested a receipt of purchase, it would have been provided by request from Facilities Management.

The Recorder of Deeds concurs with auditors on improving expenditures policies for the Records Preservation Account. This will be addressed as part of our new procurement policy.

- 5.3 *A policy for transferring excess funds in the Credit Card Clearing Account to General Revenue has already been implemented. Every fiscal year the amount will begin with a \$1,000 balance, all funds in excess of \$1,000 shall be transferred to City General Revenue. The only liabilities on this account are payments to the Treasurer for credit card receipts, purchase of additional checks if needed and if there are any credit card disputes that would have to be corrected. The liabilities will never change from month to month except for these 3 purposes. (See exhibit 6)*

Auditor's Comment

- 5.2 As verified by the auditors, a copy of the invoice for the air conditioning unit was not on file at the Recorder's office. The Recorder cannot ensure all payments made represent valid and appropriate purchases without obtaining adequate supporting documentation.

6. Escrow Liability

The Recorder's records of monies held in escrow are not reconciled to the city's general ledger records or balances and, as a result, errors and other unidentified differences remained undetected. Deposits and uses by participating customers totaled approximately \$1.9 million during the year ended June 30, 2015, and approximately \$1.8 million during the year ended June 30, 2014.

Title companies, banks, and other customers may establish escrow (prepaid) accounts with the Recorder's office. Deposits, uses, and escrow account balances are documented in the Recorder's cashier software. Deposits are transmitted to the City Treasurer daily and are recorded in the city's General Fund as a liability in the Title Fee Deposits Account. At the end of each month, the Recorder provides journal entry instructions to the City Comptroller to reduce the Title Fee Deposits Account for amounts used by the customers during the month. The journal entry reduces the city's liability account balance and increases revenues.

We performed a reconciliation between the Recorder's escrow report balance of \$173,000 and the city's general ledger balance of \$326,000 as of February 28, 2015. After adjusting for timing differences totaling approximately \$92,000 we determined the city's liability balance exceeded



City of St. Louis
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the Recorder's liability balance by approximately \$61,000. Recorder's office personnel performed research and indicated they incorrectly reported a month-end transfer amount to the city in October 2013 by approximately \$23,000. The additional difference of approximately \$38,000 remains unexplained.

Monthly reconciliations between the Recorder's escrow account balances and the city's liability account are necessary to ensure deposits are properly recorded and are sufficient to meet liabilities. Any discrepancies should be promptly investigated and resolved.

A similar condition was noted in our prior audit Report No. 2010-16, *City of St. Louis Office Of Recorder Of Deeds*, issued in January 2010.

Recommendation

The Recorder reconcile escrow account balances to the city's liability account monthly. Any differences should be investigated and resolved.

Auditee's Response

State Auditor Margaret Kelly solved the reconciliation issue by sending cards to ROD clients to gain confirmation of escrow balances, noting the impossibility of balancing with the Comptroller. Our escrow balance reports are submitted to our customers on a monthly basis with no discrepancies noted from them. Recorder recommends for future audits that auditors check verification of escrow accounts with Recorder clients.

ROD staff has met with Comptroller staff to discuss reconciliation procedure. In looking over newly available information ROD I.T. staff identified some issues with data entry and reporting. Previous audits have shown issues with reconciling with Comptroller's office; however no details to explain the balancing discrepancies have been identified. Efforts to balance with the Comptroller's escrow liability account are also affected by the timing differences between the Treasurer's Office depositing escrow funds and the Comptroller's Office applying funds to General Revenue account. The ROD is unaware of the procedures between the Treasurer's Office and the Comptroller's Office in handling deposits into the escrow liability account. The ROD office will continue making every effort to balance with the Comptroller.

Auditor's Comment

The Recorder is not properly distinguishing audit procedures (confirming escrow balances) from an important management function (reconciliation of the total escrow account balance per the Recorder's records to the city's liability account). Procedures conducted by State Auditor Margaret Kelly relate to her audit report of the City of St. Louis Recorder and are not relevant to the current audit that covers the 2 years ended June 30, 2015. The previous audit report (No. 87-109, issued in November 1987) contains a similar finding. Due to the increased volume of activity and continued lack of reconciliations, the unexplained difference has increased from



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Recorder of Deeds and Vital Records Registrar
Management Advisory Report - State Auditor's Findings

approximately \$5,500 at April 30, 1987, to approximately \$38,000 at February 28, 2015.

7. Vehicle Usage Log

As reported in our prior audit, a usage log was not maintained by Recorder Carpenter for a city-assigned vehicle she used through July 14, 2014, when the vehicle was returned to the city's fleet pool. Although Recorder Carpenter responded to the prior report recommendation that a vehicle usage log had been implemented, the Recorder's office did not have a log that documented the miles the vehicle was driven or the dates, destinations, and purposes of the vehicle's use.

Based on fueling documents and information provided by office personnel, it appears the vehicle was driven 5,460 miles during an 18 month period between February 2013 and July 2014. Recorder Carpenter reported personal and commuting use of the vehicle to the City Comptroller for use of the car during calendar years 2014 (through July) and 2013. The Recorder reported commuting miles totaling 5,330 and personal miles totaling 10,185 to the city payroll manager for the 2 calendar years. The total of 15,515 miles reported exceeds the actual mileage the car was driven by approximately 10,000 miles. Recorder Carpenter did not maintain documentation needed to properly document the use of city-owned property.

Without adequate usage logs, the Recorder cannot effectively demonstrate the purpose that the vehicle is used for. Vehicle usage logs should include trip information (i.e., beginning and ending odometer readings, destination, and purpose). The value of fringe benefits reported to the Internal Revenue Service should be supported by properly documented vehicle logs.

Recommendation

The Recorder prepare a vehicle usage log to document business, commuting, and personal mileage driven and ensure mileage reported for compensation is adequately supported.

Auditee's Response

The Recorder over estimated thereby paying more federal, state and local taxes than was required. The Recorder is no longer provided a city vehicle.

8. Vacation and Medical Leave

The Recorder's policies and procedures for vacation and medical leave need improvement. Although the Recorder adopted a Policies Manual, updated in July 2014, there are significant gaps and lack of clarity in the policy terms for vacation and medical leave. In addition, supervisory reviews did not detect and correct errors in cash leave payouts or posting of earned leave to employee records.

Vacation leave

The vacation leave policy does not indicate when earned leave will be posted to employee records and available for employee use. In addition, the policy does not indicate how leave accruals or leave payouts are performed for employees who terminate mid-year. The office typically posts earned



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vacation leave to employees' leave records in January in recognition of the employees' service during the prior year. However, lack of clarity in the policy contributed to inconsistent and improper granting of leave to some employees.

Vacation leave in the amount of 240 hours each was granted by Recorder Florida to two employees during August 2014 prior to the employees' retirements. The 240 hours would normally have been posted to employee leave records in January 2015 and would have represented service between January and December 2014. The employees either used the leave as time off or received pay for the unused balance at the time of their retirement. However, each employee received some vacation leave that was not earned by the employee because they retired before December 2014. In addition, one employee's normal annual amount of earned leave was 200 hours but the employee received 240 hours. Also, inadequate supervision allowed these employees to receive compensation for approximately 3 days they had not worked (approximately \$380) in their final pay.

Although vacation leave was granted mid-year to these two employees, it was not granted by Recorder Florida to a third employee who also terminated mid-year. This employee had earned approximately 220 hours of leave as of the date of termination.

Vacation leave was granted by Recorder Florida in advance to two additional active employees during August 2014 in the amounts of 200 hours and 40 hours. The leave would normally have been posted to the employees' records in January 2015. The advances were supposed to be recaptured by reducing the amount posted in the following January. Although the 200 hour advance was properly handled in January 2015, a clerical error made by the Recorder's office resulted in the other employee's leave record not being properly adjusted at that time. The Recorder's office corrected the error in July 2015.

Medical leave

The medical leave policy does not indicate if employees' unused medical leave balances are paid or expire upon termination. Lack of clarity in the policy contributed to inconsistent treatment of employees by Recorder Florida. Two employees who terminated during 2014 had not used their accumulated medical leave balances as of their termination dates. One employee was paid for 24.5 hours of unused medical leave. The other employee was not paid for 154.5 hours of unused medical leave. Office personnel indicated the Recorder's office customarily does not pay out unused medical leave balances.

Comprehensive and clearly written policies are necessary to ensure employment practices are clearly understood and consistently applied. Thorough supervisory reviews of final pay and leave records are necessary



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to ensure employees are accurately and fairly compensated in accordance with written policy.

Recommendation

The Recorder develop comprehensive and clearly written personnel policies and ensure the policies are properly and consistently applied.

Auditee's Response

Recorder Carpenter provided the following response:

A vacation policy in regards to mid-year termination has been implemented effective October 9, 2015. (See exhibit 7)

All other medical and vacation policies are being reviewed to develop a clear and consistently applied policy.

Former Recorder Florida provided the following response:

The office and staff implemented policies over the 6 month period of Florida tenure to reflect that of the city regarding wages, reviews, and retirement with overall goal of treating employees consistently and in compliance with city policies.

City of St. Louis

Recorder of Deeds and Vital Records Registrar

Organization and Statistical Information

The City of St. Louis Recorder of Deeds and Vital Records Registrar is an elected statutory county office. The office's duties are defined by Missouri statutes and city ordinances. Duties include preserving and providing public access to public records affecting title to real estate, issuance of marriage licenses, and other legal matters; maintaining and assisting users with access to archive data dating between 1765 and the present; and administering a vital records registry office for birth and death records for the City of St. Louis under an appointment by the state's Department of Health and Senior Services.

The office employed 39 employees as of June 30, 2015.

Sharon Quigley Carpenter currently serves as the Recorder of Deeds and Vital Records Registrar (Recorder) for the City of St. Louis. She initially assumed the Recorder's duties as a result of a gubernatorial appointment in 1980. She was subsequently elected to her position in November 1982 and reelected every 4 years since 1982. Sharon Quigley Carpenter resigned from the office effective July 14, 2014, pursuant to requirements of Article VII, Section 6, Missouri Constitution and was reelected in November 2014. Her current term expires December 31, 2018. Pursuant to city policy, Sharon Quigley Carpenter also applied for and began receiving retirement income from the city's employee retirement system in January 2015.

Effective July 14, 2014, Mayor Francis Slay appointed Jennifer Florida to serve as Recorder and she served until January 1, 2015.

Elected Officials' Compensation

Name and Title	Compensation Paid for the Year Ended June 30,	
	2015	2014
Sharon Quigley Carpenter, Recorder	\$52,581	\$99,263
Sharon Quigley Carpenter, Retired	25,433	0
Total	\$78,014	\$99,263
Jennifer Florida, Recorder	\$47,207	0

Financial Activity

A summary of the office's financial activity within the city General Fund and Records Preservation Account for the 2 years ended June 30, 2015, is presented in the following appendixes. Other fees collected by the Recorder's office were processed through various other city funds.

Appendix A

City of St. Louis Recorder of Deeds and Vital Records Registrar Comparative Statement of Receipts and Disbursements General Fund

	Year Ended June 30,	
	2015	2014
RECEIPTS		
Recorded instruments	\$ 1,299,416	1,623,652
Marriage licenses	57,133	50,179
Birth and death records	855,654	766,062
Miscellaneous recordings	229,906	224,151
Rental of city property and other	6,657	11,227
Total Receipts	2,448,766	2,675,271
DISBURSEMENTS		
Personal services	2,354,656	2,290,132
Materials and supplies	28,883	24,290
Equipment, leases, and assets	5,890	8,689
Contractual and other services	179,986	226,430
Total Disbursements	2,569,415	2,549,541
RECEIPTS OVER (UNDER) DISBURSEMENT:	\$ (120,649)	125,730

Appendix B

City of St. Louis Recorder of Deeds and Vital Records Registrar
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Records Preservation Account

	Recorder Carpenter	Recorder Florida	Recorder Carpenter
	January 1, 2015 through June 30, 2015	July 14, 2014 through December 31, 2014	July 1, 2013 through July 13, 2014
RECEIPTS			
Recording and online access fees	\$ 111,249	99,732	241,107
Other	1,723	245	215
Total Receipts	112,972	99,977	241,322
DISBURSEMENTS			
Technology hardware and software	124,793	21,147	106,118
Record preservation expense	39,668	16,095	985
Renovation expense	0	0	105,507
Travel	298	199	6,896
Bank fees and charges	264	805	1,860
Refunds	0	0	743
Other	2,180	0	1,324
Total Disbursements	167,203	38,246	223,433
RECEIPTS OVER (UNDER) DISBURSEMENTS	(54,231)	61,731	17,889
BEGINNING CASH	386,352	324,621	306,732
ENDING CASH	\$ 332,121	386,352	324,621

City of St. Louis
Recorder of Deeds and Vital Records Registrar
Auditee Exhibits

Exhibit 1

CITY OF ST. LOUIS
DEPARTMENT OF THE PRESIDENT
BOARD OF PUBLIC SERVICE
INFORMATION FOR BIDDERS
RECORDER OF DEEDS RENOVATIONS
R#2009-00-180
ST. LOUIS, MISSOURI

REQUEST FOR PROPOSAL

1.- PROPOSALS

Sealed proposals will be received by the Board of Public Service, Room 301, City Hall, until 4:30 P.M., St. Louis, Missouri time on March 26, 2009, at which time they will be publicly opened and read.

Announcement of the selected Design/Build team will be made upon completion of evaluation of the proposals. The Board of Public Service reserves the right to interview any or all the Design/Builders.

2.- GENERAL REQUIREMENTS

The following six firms have been qualified as Design/Builders to submit proposals for this project. Only proposals from these Design/Builders will be considered responsive. It is imperative that the Design/Build team proposed in the Statement of Qualifications submittal remain the same.

Brinkman Constructors
16650 Chesterfield Grove Road, Suite 100
Chesterfield, MO 63005

Guarantee Interiors, Inc.
2914 Locust
St. Louis, MO 63103



Exhibit 1 Cont.

Interface Construction Corporation
8401 Wabash Avenue
St. Louis, MO 63134

Salian Construction Services
8503 Mid-County Industrial Drive
St. Louis, MO 63114

Legacy Building Group LLC
1530 S. 2nd
Saint Louis, MO 63104

Tarlton Corporation
5500 West Park Avenue
St. Louis, MO 63110

- 2.1. One set of schematic plans and performance specs will be provided free of charge to each of the six pre-qualified Design/Builders. Additional sets of schematic plans and performance specifications will be available for \$100.00 each. There will be no refunds.
- 2.2. Projected completion date: July 31, 2009.
- 2.3. Liquidated damages \$500.00 per day.
- 2.4. Bid Deposit \$7,850.00
- 2.5. The Minority Business Enterprise (MBE) goal and the Women Owned Business Enterprise (WBE) goal for this Letting is "Maximum Utilization of MBE and WBE". Maximum Utilization is deemed to have been met when any subcontracting or supplies equal a minimum of 25% MBE plus 5% WBE. (See page MW2 for further clarification.)
- 2.6. MANDATORY PRE-BID CONFERENCE: A mandatory pre-bid conference/walk-thru for all contractors bidding on this project will be held on March 4, 2009 at 10:00 a.m. starting in Room 305 City Hall.

3.- PLANS, SPECIFICATIONS AND FORM OF CONTRACT

Plans, specifications, contract and bid proposal forms may be examined in the Office of the President, Board of Public Service, Room 301, City Hall, and purchased for the amount as indicated in Section 2.1 above. Purchased sets will become the property of the prospective bidder and no refunds will be made.

The successful bidder will receive five (5) sets of schematic plans and performance specifications without charge for design purposes. If additional sets are desired by the bidder they will be purchased for the amount specified in Section 2.1 above.

4.- INVESTIGATION OF CONDITIONS



Exhibit 2

2. Revisions to the Bids

In our investigation, Meeker provided us with two other documents relating to the 2013 bids. One document was a revised Superior bid dated July 8, 2013.³⁹ The revised Superior bid included additional work under the "Scope of Work" section and the bid totals \$81,758.00.⁴⁰

Meeker also provided us a revised MCC bid that was not dated.⁴¹ The revised MCC bid is similar to the revised Superior bid, except that it omits four items under the "Scope of Work" section that are included in the Superior bid and it totals \$89,450.00.⁴² Both bids include under the Scope of Work the following sentence: "SBG to Supply and Install Plumbing Escution Plate."⁴³ We have not found any explanation for why the MCC bid would require Superior to supply and install a plumbing escution plate.

Neither of the revised bids were signed. We have not seen any documents showing when and how the revised bids were provided to Meeker. Meeker stated that she obtained the revised Superior bid from her son, but that the revised MCC bid "just came in."

3. Meeker's Phone Call to BPS

On July 19, 2013, Peggy Meeker called Tom Behan, and informed him that the Recorder needed to complete renovations in the office and wanted BPS to oversee the work.⁴⁴ Over the phone, Meeker informed Behan that she had obtained two bids: one from Superior and one from MCC. Behan suggested that Meeker obtain additional bids from companies that were pre-qualified and frequently performed work for the City. Meeker stated that since the Recorder, as a county office, was not required to obtain more bids, she was "happy" with the bids she had, and wanted to take the lower bid. There is no evidence that Meeker informed Behan or anyone else at BPS that Superior was owned by her son.

Steve Harris supervised the construction work. After construction began, BPS employees learned that Superior was owned by Treis.

³⁹ Exhibit 22.

⁴⁰ *Id.*

⁴¹ Exhibit 23.

⁴² *Id.*

⁴³ *Id.*

⁴⁴ Meeker stated that she had shown the first bids to Behan shortly after receiving them around the end of June 2013. Behan stated that Meeker first contacted him after the higher bids were submitted in July. A contemporaneous memorandum to the file obtained from Behan's file memorializes that Meeker contacted him on July 19, 2013. Thus July 19 was the only date for the first contact from Meeker to Behan that was supported by documentary evidence. It is also apparent from witness statements that BPS did not obtain a copy of the Superior and MCC bid documents until after the Recorder entered a contract with Superior.



City of St. Louis
Recorder of Deeds and Vital Records Registrar
Auditee Exhibits

Exhibit 3



Sharon Quigley Carpenter
Recorder of Deeds
City of Saint Louis
www.stlouiscityrecorder.org

City Hall, Room 126
1200 Market Street
Saint Louis, MO 63103
314.622.4610
info@stlouiscityrecorder.org



05 August 2015

Recorder of Deeds Staff:

Subject: RENOVATION/CONSTRUCTION POLICY

The following guidelines shall be adhered too during any renovation/construction projects that are requested for the Recorder of Deeds office spaces. For small projects managed by BPS, where BPS is providing services and staff to complete project, it will be the responsibility of BPS to determine when an RFP is required. This in no way precludes the Recorder of Deeds staff from determining needs, and BPS from requesting bids as necessary based on their standard procurement policies.

Recorder of Deeds shall select two staff members to develop outline of needs

Board of Public Service contacted to supervise project from inception to conclusion

Staff and assigned BPS project manager do walk thru to establish what needs to be included in order for RFP to be complete. This should prevent change order occurrences.

Staff prepares preliminary RFP

BPS-Prepares final RFP publishes same, sets date for bid opening.

Bid opening in BPS offices attend by staff. BPS retains original bids evaluates same using criteria used in all other bid process.

Staff meets with BPS after evaluation to rate bids, BPS being the professionals' recommendations shall be given more weight as the decision process proceed.

Should any member of staff or Recorder of Deeds have any relationship (no matter how distant) with finalists, that individual shall recuse himself/herself from decision making process.

BPS representation and staff shall meet with Recorder, to provide all necessary information on bids of finalists.

Based on responsiveness to RFP, completeness of bid, having met the prevailing standards required by the City and cost, a decision shall be reached and accepted by the Recorder.

BPS then follows the standard procedures with the successful bidder, including a detailed contract, established, time line, etc...

Once BPS & staff have agreed with contractors on the final contract BPS shall establish a start date for project.



City of St. Louis
Recorder of Deeds and Vital Records Registrar
Auditee Exhibits

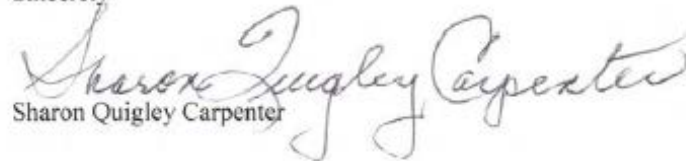
Exhibit 3 Cont.

No payment shall be tendered by the Recorder of Deeds until written approval of work is provided by BPS.

Any ancillary purchases necessary to complete the project (furniture, storage, etc...) shall have a minimum of three bids. BPS professionals should be consulted in bid process.

Final payment shall be issued only after complete inspection and approval by BPS representative.

Sincerely


Sharon Quigley Carpenter



City of St. Louis
Recorder of Deeds and Vital Records Registrar
Auditee Exhibits

Exhibit 4

CITY OF ST. LOUIS

12/04/2015 10:28 AM

TRANSACTION DATE & TIME
08/05/2013 4:40 PM

TRANSACTION # 4554906

SIMPLIFILE

AMOUNT PAID: 7660.00

CHECK: 4471 7660.00 SIMPLIFILE

ESCROW: 19548.93

THANK YOU
SHARON QUIGLEY CARPENTER
RECORDER OF DEEDS



Exhibit 5

VOIDED TRANSACTION

CITY OF ST. LOUIS

12/04/2015 10:29 AM

TRANSACTION DATE & TIME
08/05/2013 11:55 AM

TRANSACTION # 4554632

SIMPLIFILE

AMOUNT PAID: 76660.00

CHECK: 4471 76660.00 SIMPLIFILE

ESCROW: 19520.93

THANK YOU
SHARON QUIGLEY CARPENTER
RECORDER OF DEEDS



City of St. Louis
Recorder of Deeds and Vital Records Registrar
Auditee Exhibits

Exhibit 6



Sharon Quigley Carpenter
Recorder of Deeds
City of Saint Louis
www.stlouiscityrecorder.org

City Hall, Room 126
1200 Market Street
Saint Louis, MO 63103
314.622.4610
info@stlouiscityrecorder.org



20 July 2015

Recorder of Deeds Staff:

Subject: CREDIT CARD RESIDUAL FUNDS DISPOSITION POLICY

In accordance with City of St Louis code 3.20.070 Fees payable by credit card or debit card, The Recorder of Deeds is authorized to receive payment by credit card or debit card for fees imposed by law and to recover all administrative costs connected to these transactions and convenience fees imposed by the credit card service under contract to process such payments.

The administrative costs are collected at a rate of \$.50 per transaction. These funds are to be used to cover service fees, new checks, and to cover costs of disputed credit card claims, should they occur. Over time, there is a buildup of residual funds in the checking account used to process credit card transactions.

Credit Card Residual Funds Disposition Policy — After the end of each Fiscal Year, The credit card bank account will be reviewed for residual funds as follows. On the day that the final monthly credit card check for the preceding Fiscal Year clears, The cashiers will look at the remaining daily balance and deduct \$1000.00. The cashiers will take this difference and write a separate check with RCF to deposit residual funds into City of St Louis general revenue. The \$1000.00 deducted from the balance will remain in the account to cover administrative costs as needed.

Sincerely


Sharon Quigley Carpenter



City of St. Louis
Recorder of Deeds and Vital Records Registrar
Auditee Exhibits

Exhibit 7



Sharon Quigley Carpenter
Recorder of Deeds
City of Saint Louis
www.stlouiscityrecorder.org

City Hall, Room 126
1200 Market Street
Saint Louis, MO 63103
314.622.4610
info@stlouiscityrecorder.org



09 October 2015

Recorder of Deeds Staff:

Subject: RECORDER OF DEEDS OFFICE PRO-RATING VACATION POLICY

The Recorder of Deeds office adds employee vacation time at the beginning of the calendar year to each employee's accrued time for the previous year. This policy is being implemented to give employees vacation time that they may have earned if employment has ended prior to the end of the calendar year.

The vacation pro-rating will be based on each completed month of service prior to the employee's notification of intent. The number of hours an employee is to be pro-rated will be calculated as follows. The # of hours employee earns annually divided by 12 months multiplied by number of completed months.

The following example will show how a calculation is to be completed.

Employee would normally receive 240 hours of vacation at beginning of year.
On September 3rd, employee notifies management of their intent to retire or cease employment.
This shows employee completed 8 full months of service for pro-rated vacation.
 $240 \text{ divided by } 12 = 20 \text{ multiplied by } 8 (\# \text{ of completed months}) = 160 \text{ hours of pro-rated vacation.}$
The employee will not continue to accrue vacation once they have accepted pro-rated vacation and have started using time off in conjunction with their termination departure. Now suppose in January that you earned your 240 hours of vacation. In September when you decided to retire, you have used up all of your vacation, except 23 hours. After your final vacation accrual is pro-rated, you would have the 160 hours which was pro-rated plus the 23 hours you had remaining from your previous balance for a total of 183 hours.

An employee who is terminated for cause is not eligible for receiving pro-rated vacation.

Sincerely

Sharon Quigley Carpenter



NICOLE GALLOWAY, CPA

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the state's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. Those entities were:

1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan which represent 77 percent of the assets and 10 percent of the revenues of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund which are both major funds and represent 23 percent of the assets and 61 percent of the revenues of the business-type activities.

3. The aggregate discretely presented component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund which represent 95 percent of the assets and 91 percent of the additions of the fiduciary funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and the Missouri Agricultural and Small Business Development Authority, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions on the governmental activities and General Fund opinion units and our unmodified opinions on all remaining opinion units.

Basis for Qualified Opinions on the Governmental Activities and the General Fund

We were not allowed access to tax returns and related source documents for income taxes. Access was denied based on the Director of Revenue's interpretation of the decision rendered by the Missouri Supreme Court in the case of *Director of Revenue v. State Auditor* 511 S.W.2d 779 (Mo. 1974). Approximately 29 percent of governmental activity revenues and 33 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded.

Qualified Opinions

In our opinion, based on our audit and the reports of other auditors, and except for the possible effects of the matter described in the "Basis for Qualified Opinions on the Governmental Activities and the General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the state of Missouri, as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund excluding the General Fund, and the aggregate remaining fund information of the state of Missouri, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

For the fiscal year ended June 30, 2015, the state of Missouri implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. See Note 2 and Note 18 to the financial statements for further information. Our opinions are not modified with respect to this matter.

As discussed in Note 2 to the financial statements, there was a change in accounting principle regarding the classification of cash and cash equivalents versus investments. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; the Budgetary Comparison Schedule-General Fund, Major Special Revenue Funds; the Schedule of Changes in Net Pension Liability and Related Ratios; the Schedule of Proportionate Share of the Net Pension Liability; and the Schedule of State Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

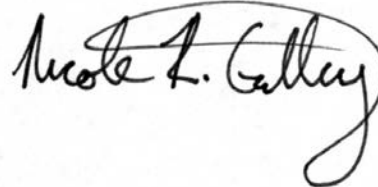
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The supplementary information, as listed in the table of contents, and the other information, which consists of the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, and except for the possible effects on the supplementary information of the matter discussed in the "Basis for Qualified Opinions on the Governmental Activities and the General Fund" paragraph, the supplementary information, as listed in the table of contents, is fairly stated in all material respects, in relation to the basic financial statements as a whole.

The information in the introductory and statistical sections has not been subjected to the audit procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, our report dated January 14, 2016, on our consideration of the state of Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters is issued under separate cover in the Single Audit Report. The purpose of our report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Our report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Missouri's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

January 14, 2016



Nicole Galloway, CPA
Missouri State Auditor

Forty-Fifth Judicial Circuit

City of Foley Municipal Division



January 2016

Report No. 2016-006

<http://auditor.mo.gov>



Nicole R. Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Foley Municipal Division

Background	The Foley Municipal Division audit was completed as part of the Municipal Courts Initiative of the State Auditor's Office. The Municipal Courts Initiative adds additional areas of review to the standard court audit process. In addition to reviewing financial transactions, accounting practices, and compliance with court rules and state law, auditors also reviewed statistical information, tickets and other penalties to identify activities and other practices that may impair impartiality or damage the court's credibility with citizens.
Accounting Controls and Procedures	Significant weaknesses in accounting controls and procedures of the municipal division provide no assurance that payments received were appropriately recorded, deposited and distributed. The same employee serves as the court clerk and city clerk, and neither the municipal judge nor city personnel adequately review the clerk's accounting functions and records. Auditors identified numerous discrepancies among accounting records and the clerk was unable to account for \$700 cash withdrawn. The clerk did not properly disburse Crime Victims Compensation fees pursuant to state law.
Municipal Division Procedures	Monthly reports submitted to the Office of State Courts Administrator (OSCA) and the city were inaccurate and did not report collections totaling \$13,540. The municipal judge does not review the final disposition of each case and the prosecuting attorney does not sign all tickets processed by the municipal division. The municipal division also assesses two potentially improper fees without statutory authority, a \$100 fee for failure to appear when a defendant misses a court appearance for a traffic violation and a \$25 warrant fee.
Monitoring of Excess Revenues	The city failed to accurately calculate excess revenues from traffic violations, and based on auditors' calculations, at least \$209,057 should have been remitted to the Department of Revenue for 2014.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Forty-Fifth Judicial Circuit

City of Foley Municipal Division

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NICOLE GALLOWAY, CPA
Missouri State Auditor

Presiding Judge
Forty-Fifth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Foley, Missouri

We have audited certain operations of the City of Foley Municipal Division of the Forty-Fifth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo, and as part of the State Auditor's Municipal Courts Initiative. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

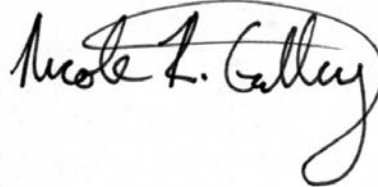
1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with Section 302.341.2, RSMo, which restricted the amount of fines and court costs that may be retained from traffic violations.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) noncompliance with Section 302.341.2, RSMo. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Foley Municipal Division of the Forty-Fifth Judicial Circuit.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Deborah Whitis, MBA, CPA, CIA, CFE
In-Charge Auditor:	Gina Henley, MBA
Audit Staff:	Sheila Hohenstreet

Forty-Fifth Judicial Circuit

City of Foley Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

We identified significant weaknesses in the accounting controls and procedures of the municipal division. As a result, there is no assurance all monies received were appropriately recorded, deposited, and distributed. According to the court's case management system, fines and court costs collected and bonds applied during the year ended December 31, 2014, totaled approximately \$348,000. Bonds deposited into the municipal division bond account during 2014 and not yet applied to cases (open bonds) as of December 31, 2014, totaled approximately \$2,000.

1.1 Oversight

Neither the Municipal Judge nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. Proper segregation of duties within the municipal division is not possible because the Court Clerk is the only employee. The Court Clerk also serves as city clerk and performs all accounting functions of the municipal division and the city. As a result, the Court Clerk is responsible for all duties related to collecting, recording, and depositing monies, posting fines and court costs into the case management system, disbursing monies, preparing financial reports, and performing bank reconciliations. No one independent of the cash custody and record-keeping functions reconciles recorded receipts to deposits, or reviews disbursements.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented thorough supervisory or independent reviews of accounting records.

1.2 Receipting, recording, and depositing procedures

The municipal division does not have adequate receipting, recording, and depositing procedures in place. As noted above, the Court Clerk also serves as city clerk. The Clerk records both court monies and city monies on the same deposit slips but does not maintain adequate documentation to clearly identify the court receipts and city receipts included in each deposit. In addition, the Clerk does not reconcile the composition of receipt slips to the composition of deposits, account for the numerical sequence of receipt slips issued, or deposit all monies intact and timely.

The court's case management system is capable of producing a report showing the numerical sequence of receipt slips issued, the method of payment, and totals by composition to reconcile to each deposit. However, the Clerk indicated he was not aware of this report during the first few months of 2014, and did not retain copies of the reports printed for the remainder of the year. Our review of receipt slips issued during the months of March and May 2014, identified numerous discrepancies and processing delays.

- We were unable to trace cash receipts totaling \$195 to deposits. The case management system receipt records indicate \$444 in cash was



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received from 3 defendants on March 11 and 12, 2014, but only \$277 in cash was deposited in the bank on March 13, 2014, resulting in a cash shortage of \$167. In addition, case management system and manual receipt records indicated cash totaling \$1,816 was received between February 28, 2014, and March 6, 2014, while deposit records show only \$1,788 in cash was deposited on March 7, 2014, resulting in a cash shortage of \$28.

- The Court Clerk did not issue receipt slips for all monies received. During our review of deposits related to receipt slips issued in March 2014, we identified 2 checks totaling \$458 deposited on March 24, 2014, and April 5, 2014, that appear to be court receipts but were not recorded in the case management system or on manual receipt slips.
- The Court Clerk does not reconcile manual receipt slips issued to manual receipt slips recorded in the case management system. We were initially unable to trace 13 receipt slips totaling \$2,006 recorded in the case management system on March 17 and 18, 2014, to a deposit. After repeated inquiries, the Court Clerk provided manual receipt slips and deposit records showing \$1,652 was received and deposited during 2012, and the remaining \$354 was received and deposited during 2013. The Court Clerk indicated the former Court Clerk failed to record these manual receipt slips in the case management system so he recorded them in March 2014, after printing a report of open cases from the system and investigating older cases on the report. However, the Court Clerk did not record any comments when posting this information in the case management system to explain what occurred. As a result, there is no assurance all monies collected were properly recorded in the system and deposited or that receipts and disbursements are recorded and made in the proper period.
- The Court Clerk does not account for the numerical sequence of receipt numbers assigned by the case management system. The system assigns a receipt number for all monies recorded in the system. Our review noted several receipt numbers were skipped or not issued. Subsequently, the Court Clerk discussed this matter with the system programmer and determined the receipt numbers were skipped due to intermittent functionality issues within the system. The Court Clerk was not aware of the skipped receipt numbers or system problems prior to our discussions with him. Reports of receipt numbers are available from the case management system. Reviewing available reports would ensure all receipt numbers are accounted for and there is a valid reason for skipped numbers in the numerical sequence.
- The Court Clerk does not deposit receipts intact or timely. For example, while other receipts received on February 4, 2014, through February 28,



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2014, were deposited timely, a check for \$392 received on February 4, 2014, and twelve other receipts totaling \$1,444 received on February 28, 2014 were held and not deposited until March 7, 2014. In addition, receipts totaling \$3,982 received on May 22 and 23, 2014, were held and not deposited until May 30, 2014.

- We identified 2 receipt slips issued on May 22, 2014, totaling \$200, on which the method of payment was improperly recorded as cash instead of check. The Court Clerk did not detect and correct these errors because the composition of receipt slips is not reconciled to the composition of monies deposited.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of monies will go undetected.

1.3 Change fund

The Court Clerk did not maintain the change fund at a constant amount and cannot account for \$700 in cash withdrawn prior to October 2014. Beginning in October 2014, the municipal division established procedures to maintain the change fund at a constant amount of \$200. Between March 19 and September 25, 2014, 7 checks, totaling \$1,675, made payable to cash were issued from the city's general fund bank account. The memo section of the checks indicates these monies were change for court then for petty cash after court. The Court Clerk indicated he placed these monies into the city's petty cash fund after court each month; however, he does not maintain adequate records for the petty cash fund and could not provide documentation to account for cash totaling \$700 for the months of March, May, and June 2014. As a result, we were unable to determine if these monies were properly returned to the city.

To safeguard against possible loss, theft, or misuse of funds, change funds and petty cash funds should be maintained at a constant amount or imprest basis and the funds should be periodically counted and reconciled to the authorized balance by an independent person. In addition, documentation should be maintained by the city to provide accountability as to the disposition of the monies used for the petty cash.

1.4 Bond liabilities and reconciliations

The Court Clerk does not generate a list of liabilities (open bonds) for comparison to the reconciled bond bank account balance and is unable to agree open bonds to the account balance.

While a list of outstanding bonds is maintained in the case management system, the list is not printed and reconciled to the bond account balance. At our request, the Court Clerk generated a list of open bonds at February 28, 2015, and immediately noticed the list was not accurate. For example, a \$350 bond had been applied to a defendant's balance in the case



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City of Foley Municipal Division
Management Advisory Report - State Auditor's Findings

management system on February 28, 2014, but was never disbursed from the bond bank account to the city's general account for fines and court costs paid. The Court Clerk investigated other discrepancies and made the proper disbursements on March 9, 2015. After adjustments, the Court Clerk generated an updated list of open bonds, and the reconciled bank balance of \$2,615 exceeded the list of open bonds by \$45. The Court Clerk indicated he will continue to investigate the unidentified overage.

Monthly reconciliations between liabilities and the reconciled bank account balance are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. In addition, monthly lists of liabilities are necessary to ensure all bond dispositions have been properly recorded. To properly monitor bonds and ensure the appropriate disposition of monies, procedures should be implemented to routinely investigate bonds remaining on the liabilities list over a specified period of time.

1.5 Monthly disbursements

The Court Clerk did not properly disburse Crime Victims Compensation (CVC) fees collected. The Court Clerk disbursed to the Department of Revenue (DOR) all CVC fees collected, totaling \$12,185 for the year ended December 31, 2014, instead of retaining and transmitting 5 percent (\$609) to the city treasury as required by state law.

Section 595.045.6 RSMo, and Section III.B.2. Municipal Court Operation Order Number 1, requires 95 percent of the CVC fees to be paid monthly to the DOR and the remaining 5 percent to be disbursed to the city treasury.

Recommendations

The City of Foley Municipal Division:

- 1.1 Ensure documented thorough independent or supervisory reviews of accounting records are periodically performed.
- 1.2 Ensure a receipt slip is issued for all monies received by the municipal division. In addition, account for the numerical sequence of receipts, ensure all receipts are properly recorded, deposited intact, and the composition of the deposit is reconciled to the method of payment on the receipt slips issued.
- 1.3 Maintain the change fund at a constant amount and periodically count and reconcile the monies on hand to the authorized balance. The municipal division should also work with the city to ensure any amounts transmitted to the city's petty cash fund are accounted for properly.
- 1.4 Prepare monthly lists of liabilities and reconcile the lists to the bank balance, promptly investigate and resolve differences, and establish



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procedures to review the status of liabilities to determine the appropriate disposition of funds held.

- 1.5 Develop procedures to ensure the monthly distributions are properly calculated and disbursed in accordance with state law.

Auditee's Response

The City of Foley Municipal Division provided the following responses:

- 1.1 *The court has previously mandated "independent" reviews or comparisons of the accounting records. We are implementing this recommendation and will follow up.*
- 1.2 *The court has implemented this recommendation.*
- 1.3 *The court has implemented this recommendation.*
- 1.4 *The court has implemented this recommendation.*
- 1.5 *The court has made recommendations to the Court Clerk, Mayor and the Board of Aldermen in order to ensure the monthly distributions are properly calculated and disbursed in accordance with state law.*

2. Municipal Division Procedures

Municipal division procedures need improvement.

2.1 Monthly reporting

The Court Clerk did not submit accurate monthly reports of municipal division collections to the state and city. As a result, municipal division activities have been incorrectly reported to the Office of State Courts Administrator (OSCA) and the city lacks the information needed to accurately track amounts collected by the municipal division.

The Court Clerk generates the monthly Municipal Division Summary Reporting Form from the computerized case management system, showing collection amounts entered into the case management system. This monthly report is submitted to the OSCA and to the city. Additionally, the Court Clerk utilizes this report to determine court surcharge amounts to be distributed monthly by the city to the state and other political subdivisions.

Our review of the monthly reports identified numerous errors. The Court Clerk had not adequately reviewed these reports or identified these errors. These errors occurred mostly because the monthly summary report did not include amounts collected for failure to appear fees, warrant fees, housing fees, and online convenience fees. As a result, the Court Clerk did not report



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Management Advisory Report - State Auditor's Findings

collections totaling \$13,540 to the OSCA for the year ended December 31, 2014.

Missouri Supreme Court Operating Rules 4.28 and 4.29 and OSCA instructions require monthly reports of cases filed and fines and court costs collected to be submitted to the OSCA and the city. Reports are to be submitted by the 15th of the month following the reporting month and include all activities that have occurred since the last report. To ensure accurate information is reported to the OSCA and court surcharges collected are correctly reported to the city and disbursed to the state and/or tracked in accordance with city ordinance and state law, the municipal division should establish procedures to generate accurate monthly Municipal Division Summary Reporting Forms. Such procedures should include ensuring monthly reports include all activities of the entire month, and reconciling amounts received and deposited to the activity posted in municipal division records and city's accounting system.

2.2 Case dispositions

The Municipal Judge does not approve the final disposition of cases for each case brought before the court and does not review and approve traffic and ordinance tickets paid at the violations bureau.

The Court Clerk records the case activity and final disposition for each case on the official docket sheets maintained electronically in the case management system, but does not print the final docket sheet for the Municipal Judge's review and approval. The Municipal Judge and Prosecuting Attorney occasionally make notations on the manual docket sheets attached to the case files; however, this procedure is not done consistently and the Municipal Judge does not sign the manual docket sheets.

Supreme Court Operating Rule 4 requires municipal divisions to maintain a docket or backer sheet for each case. All information regarding the case should be documented including, but not limited to, a copy of the ticket, case number, defendant name, sentence, bond information, warrant information, and disposition of the case. Accurate recording of the case information is necessary to ensure all fines and court costs have been properly collected and deposited. In addition, to ensure the recorded disposition of all cases is proper, the Municipal Judge should sign the docket or backer sheet to indicate approval of the recorded disposition.

2.3 Prosecutor approval

The Prosecuting Attorney does not sign all tickets processed by the municipal division and the Prosecuting Attorney's approval of amended or dismissed traffic tickets is not always clearly documented.

The Prosecuting Attorney allows the Court Clerk to maintain and use his signature stamp on traffic tickets and in some cases on docket or backer sheets. Our review of 59 tickets noted the Prosecuting Attorney's clear



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authorization to file charges was not present. Of the 59 tickets, 6 tickets contained the Prosecuting Attorney's facsimile signature and the other 53 tickets had no signature or other approval notation. Subsequent actions to amend or dismiss charges were also not clearly authorized by the Prosecuting Attorney.

For the 59 tickets reviewed, 5 of 17 plea agreements to amend charges were not signed or initialed by the Prosecuting Attorney. The Court Clerk prepares plea agreements on municipal division letterhead to amend traffic violations to non-moving, no-point violations in response to requests he receives from defendant's attorneys. The defendants and their attorneys sign and return the plea agreements directly to the Court Clerk for processing. The Prosecuting Attorney will sometimes initial the plea agreements but this procedure is not done consistently. As a result, there is less assurance the Prosecuting Attorney authorized all plea agreements.

Six of the 59 tickets were later dismissed; however, 2 of the dismissed tickets were not signed or initialed by the Prosecuting Attorney. The Court Clerk is allowed to nolle pros (dismiss) traffic violations issued for no proof of insurance if the defendant later provides proof of insurance. It is not always possible to determine which charges were dismissed by the Prosecuting Attorney or dismissed by the Court Clerk and there is no indication charges dismissed by the Court Clerk are reviewed by the Prosecuting Attorney to ensure their propriety.

The ability of the Court Clerk to amend tickets and apply the Prosecuting Attorney's signature by facsimile stamp without a review by the Prosecuting Attorney is a significant control weakness, and increases the likelihood of tickets being handled improperly and the risk of loss, theft, or misuse of monies going undetected. Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the municipal division. The Prosecuting Attorney's review, documented with his signature, is needed to provide assurance proper cases and charges are filed with the municipal division. Additionally, to ensure the proper disposition of all cases has been entered in the municipal division records, the Prosecuting Attorney should sign or initial all amended or nolle pros tickets indicating his review and approval.

2.4 Warrants

The Municipal Judge does not sign warrants issued and has not issued written authorization for the Court Clerk to sign warrants on his behalf. In addition, the Municipal Judge allows the Court Clerk to use his signature stamp on warrants and failure to appear notices. Without the signature or written authorization, there is no documentation the warrants were authorized. The municipal division issues warrants to defendants who miss court appearances or do not pay their fine.

Supreme Court Rule 37.45 states a warrant shall be signed by the judge or by the clerk of the court when directed by the judge for a specific warrant.



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City of Foley Municipal Division
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To ensure warrants are properly issued in accordance with Supreme Court rules, the municipal judge should sign warrants or provide specific written authorization for the Court Clerk to sign warrants and discontinue allowing the use of his facsimile signature.

2.5 Ticket accountability

The police department and the municipal division do not work together to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly. Police officers sign and record the ticket sequence numbers on a log when they obtain ticket books. The Police Chief reviews tickets issued by officers for accuracy and gives them to the municipal division for processing. However, there are no procedures to account for the numerical sequence of all tickets issued or to ensure the transmittal of all issued tickets to the municipal division.

Neither the police department nor the Court Clerk could initially locate 2 of 26 tickets we reviewed. Upon inquiry, police department personnel believed these tickets may have been voided, but not retained by the department. Approximately 2 weeks after our inquiry, the Court Clerk received a fax from a defendant's attorney containing copies of these 2 missing tickets. Police department personnel believe the police officer accidentally gave the defendant all copies of these tickets. It is unclear whether these tickets would have been properly processed if the faxed information had not been provided.

Also, for 3 of the 26 tickets reviewed, the Court Clerk incorrectly entered the ticket number into the case management system, making it difficult to ensure the ticket had been properly filed with the municipal division.

Section VIII D. of Municipal Court Operating Order Number 1 requires the Municipal Court Clerk to work jointly with the police department to account for all traffic tickets in numerical sequence and maintain a record of the disposition of all tickets assigned and issued by the police department. Without properly accounting for the numerical sequence and ultimate disposition of tickets issued, the department and municipal division cannot ensure all tickets are properly submitted for processing. A record should be maintained to account for the ultimate disposition of each ticket to decrease the risk of loss, theft, or misuse of funds. In addition, to ensure all voided tickets can be properly accounted for, written policies and procedures should be prepared for the handling of voided tickets.

2.6 Failure to appear and warrant fees

The municipal division assesses a potentially improper \$100 failure to appear (FTA) fee when a defendant misses a required court appearance for a traffic violation (infraction). The municipal division assesses the FTA fee on the original traffic violation and does not charge the defendant with a separate infraction for the failure to appear. The municipal division also assesses a potentially improper \$25 warrant fee for each warrant issued for



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failure to appear in court and/or pay amounts due. According to municipal division records, FTA fees and warrant fees collected totaled approximately \$10,211 and \$1,275, respectively, for the year ended December 31, 2014.

Section 544.665.2(4), RSMo, states that failure to appear is an infraction if the criminal matter for which the person was released includes only the violation of a municipal ordinance, provided that the sentence imposed shall not exceed the maximum fine that could be imposed for the municipal ordinance for which the accused was arrested. Although current state law allows for the issuance of a separate violation for failure to appear, there is no statutory provision authorizing the municipal division to assess the FTA fee to the original traffic violation. In addition, per Section 479.260, RSMo, a municipality may by ordinance provide for court fees pursuant to sections 488.010 to 488.020, RSMo; however, these sections do not include any provisions that authorize the municipal division to assess the warrant fee.

Recommendations

The City of Foley Municipal Division:

- 2.1 Establish procedures to ensure accuracy of the monthly Municipal Division Summary Reporting Forms.
- 2.2 Ensure the proper disposition of cases is documented on the court dockets or backer sheets and all court dockets and backer sheets are signed by the Municipal Judge.
- 2.3 Ensure the Prosecuting Attorney signs all tickets and reviews and approves all amended and dismissed tickets. Additionally, the Prosecutor Attorney should discontinue allowing the use of facsimile signatures.
- 2.4 Ensure warrants are signed by the Municipal Judge or the Court Clerk, when directed by the Municipal Judge for a specific warrant. Additionally, the Municipal Judge should discontinue allowing the use of facsimile signatures.
- 2.5 Work with the police department to ensure the numerical sequence and ultimate disposition of all tickets, including voided tickets, are accounted for properly.
- 2.6 Work with the city and legal counsel to reevaluate the FTA fee and the warrant fee and the authority to assess these fees.



Forty-Fifth Judicial Circuit
City of Foley Municipal Division
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Auditee's Response

The City of Foley Municipal Division provided the following responses:

- 2.1 *The court has implemented this recommendation and began at the time the previous Court Clerk met with State Auditor's Office (SAO) staff.*
- 2.2 *The court has implemented this recommendation and began at the time the previous Court Clerk met with SAO staff.*
- 2.3 *The court has implemented this recommendation and began at the time the previous Court Clerk met with SAO staff.*
- 2.4 *The court has implemented this recommendation and began at the time the previous Court Clerk met with SAO staff.*
- 2.5 *The court has implemented this recommendation and began at the time the previous Court Clerk met with SAO staff.*
- 2.6 *The court has implemented this recommendation and has reconsidered the FTA fees as previously assessed, recalled numerous warrants, and has ceased collecting any warrant fees.*

3. Monitoring of Excess Revenues

Procedures related to the calculation of excess revenues due the Missouri Department of Revenue (DOR) are not adequate to ensure compliance with state law. The city did not include related court costs in its calculation of revenues from traffic violations and improperly included restricted funds in its calculation of general operating revenues. In addition, the city has not determined the total excess revenues that were due or made any payments to the DOR. The city's calculation simply identified the total revenues from traffic violations and the related percentage of general operating revenues. Based on the calculation below, at least \$209,057 should have been remitted to the DOR for the year ended December 31, 2014.

The city's excess revenue calculation (from unaudited financial records) for the year ended December 31, 2014, indicated the city's 2014 revenue from traffic fines totaled \$290,082 or 70 percent of revenues. This total did not include the related court costs from traffic violations retained by the city totaling \$32,070. The municipal division tracks the amount of fines and court costs collected for traffic violations, including amended charges from traffic violations in a case management system. Based on the 2014 data from the system, the municipal division collected \$322,152 in fines and related court costs for traffic violations.

The city did not disclose in its financial statements the total general operating revenues used in the city's calculation of excess revenues. Upon our request during the audit, the city provided additional information



Forty-Fifth Judicial Circuit
City of Foley Municipal Division
Management Advisory Report - State Auditor's Findings

indicating general operating revenues totaled \$413,180. This amount included restricted revenues from flood-related federal grants and state motor vehicle taxes and fees, bond income, and transfers. The bond income on the city's financial statements consists of bond monies deposited into the bond bank account during 2014; however, most of these bond monies have been applied to fines and court costs owed by defendants in the case management system and are already included in court revenues. The remainder were either refunded to the defendants or are undistributed at December 31, 2014, and are considered a liability. The transfers relate to bond monies applied to fines and court costs in the case management system during 2013, for which the former Court Clerk failed to transfer the monies among the bank accounts during that period. These restricted revenues, bond deposits, and transfers are not considered general operating revenues of the city and should be excluded from the general operating revenues used in the calculation of excess revenues due the DOR.

The city used a similar methodology for its fiscal year 2013 excess revenues calculation in its financial statements submitted to the State Auditor's Office (SAO) on April 3, 2015, almost a year past the April 30, 2014, filing deadline for unaudited financial statements.

The following table, using the case management system report and the city's unaudited financial statements, identifies the amount that should have been remitted to the DOR for excess revenues for the fiscal year ended December 31, 2014, after including applicable court costs from traffic violations and excluding restricted revenues, bonds, and transfers:

	Year Ended December 31, 2014
City Calculated General Operating Revenues	\$ 413,180
Less Restricted Revenues and Transfers	
Federal Emergency Management Agency grant	(1,600)
State motor vehicle sales tax	(6,071)
Bond Income (1)	(20,203)
Transfers	(8,322)
General Operating Revenues	
(Less Restricted Revenues and Transfers)	376,984
30 Percent of General Operating Revenues	113,095
 Calculated Fines From Traffic Violations	 290,082
Plus Court Costs From Traffic Violations	32,070
Fines and Court Costs From Traffic Violations	322,152
 Excess Revenues	 (209,057)
Amount Remitted to the DOR	0
Remaining Amount Due the DOR	\$ 209,057

(1) Bond deposits are liabilities until the defendants' cases are finalized. The majority of this amount has been applied to fines and court costs due and is included in court revenue or was refunded to defendants during 2014. The undistributed portion of \$1,890 at December 31, 2014, is a liability. Thus, "bond income" should not be considered general operating revenue.



Forty-Fifth Judicial Circuit
City of Foley Municipal Division
Management Advisory Report - State Auditor's Findings

Section 302.341.2, RSMo (as it existed from August 28, 2013 to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations in its annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR. Section 302.341.2, RSMo, further provided that a city that was noncompliant with the law was subject to immediate loss of jurisdiction of the city's municipal court on all traffic-related charges until all requirements of the section were satisfied. Under 12 CSR 10-44.100 (as it existed before September 11, 2015), payment was to be made by the last day of the second month immediately following the end of the fiscal year.

During the 2015 legislative session the General Assembly passed and the Governor signed into law Senate Bill 5 (SB 5), which became effective August 28, 2015. SB 5, among other things, changes the definitions of elements of the excess revenue calculation and reduces the amounts of traffic revenues the city may retain in the future. SB 5 also establishes sanctions for failure to file annual excess revenue information with the SAO, including authorizing the DOR to redirect certain revenues due to the city and possible loss of municipal court jurisdiction until such filings are made.

Due to the impact of SB 5 on operations of the municipal division as well as the city's reporting requirements, it is important the city and municipal division take immediate action to implement policies and procedures to ensure future compliance with state law.

Recommendations

The Board of Aldermen ensure the accuracy of annual excess revenue calculations, include appropriate general operating revenues and revenues from fines and court costs in the calculations, and make payments of excess revenues timely. In addition, the Board of Aldermen should recalculate excess revenues for fiscal year 2014 and work with the DOR to resolve any excess revenues.

Auditee's Response

The City of Foley Municipal Division provided the following response:

The court is, and has been, and will continue to be adapting its procedures and policies in accordance with the change in laws. Further, the court has made recommendations to account for and follow up on any of the delinquent amounts currently owed the Department of Revenue in accordance with SB 5.

The City of Foley Board of Aldermen provided the following response:

The city is implementing procedures to ensure the accuracy of annual excess revenue calculations and has made monthly payment arrangements with the DOR to resolve the excess revenues.

Forty-Fifth Judicial Circuit

City of Foley Municipal Division

Organization and Statistical Information

The City of Foley Municipal Division is in the Forty-Fifth Judicial Circuit, which consists of Lincoln and Pike Counties. The Honorable Chris Kunza Mennemeyer serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. The municipal division does not utilize OSCA's statewide automated case management system known as JIS. Instead, the municipal division utilizes Integrated Metropolitan Docketing System, an automated case management system provided by Regional Justice Information Services, which has been approved for use in municipal divisions by the State Judicial Records Committee.

Personnel

At December 31, 2014, the municipal division employees were as follows:

Title	Name
Municipal Judge	Steven Hillemann
Court Clerk	Eric Ohlms

Financial and Caseload Information

	Year Ended December 31, 2014
Receipts	\$348,390
Number of cases filed	1,838

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 12.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelters	2.00
Inmate Security Fund	2.00
Failure to Appear Fee	100.00
Warrant Fee	25.00



Forty-Fifth Judicial Circuit
City of Foley Municipal Division
Organization and Statistical Information

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2014agencyreports.pdf?sfvrsn=2>. The following table presents data excerpted from the AGO report for the City of Foley Police Department. In addition, see information at <https://ago.mo.gov/home/vehicle-stops-report/2014-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

Racial Profiling Data/2014 - Foley Police Department - Population 119¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	1249	1184	44	12	3	1	5
Searches	3	2	1	0	0	0	0
Arrests	5	4	1	0	0	0	0
Statewide Population	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population	N/A	92.44	0.00	5.04	2.52	0.00	0.00
Disparity Index ²	N/A	1.03	#DIV/0!	0.19	0.10	#DIV/0!	#DIV/0!
Search Rate ³	0.24	0.17	2.27	0.00	0.00	0.00	0.00
Contraband hit rate ⁴	0.00	0.00	0.00	#NUM!	#NUM!	#NUM!	#NUM!
Arrest rate ⁵	0.40	0.34	2.27	0.00	0.00	0.00	0.00

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#DIV/0! or #NUM! indicates zero denominator



Nicole Galloway, CPA
Missouri State Auditor

Monthly Report on Municipal Court and Revenue Filings

Reports Due December 31, 2015



January 2016

Report No. 2016-007

<http://auditor.mo.gov>

Monthly Report on Municipal Court and Revenue Filings

Reports Due December 31, 2015

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Nia Ray, Director
Department of Revenue
Jefferson City, Missouri

Section 479.362, RSMo, requires the State Auditor's Office (SAO) to notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them. The primary objectives of this compilation were to:

1. Report the filing status for cities, towns, and villages required to file a financial report with the SAO by December 31, 2015, under Section 105.145, RSMo.
2. Report whether these entities filed the addendum under Section 479.359, RSMo, and 15 CSR 40-3.170.
3. Report whether the applicable entities filed the municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180.

The filing status for 391 cities, towns, and villages is presented in summary on page 3 and by individual entity in the appendixes. This report includes those cities, towns, and villages with fiscal year ends between February 28, 2015, and June 30, 2015, that did not file a financial report before August 28, 2015, or filed at least one of the required items (financial report, addendum, or certification) on or after August 28, 2015.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
General Counsel: Paul Harper, JD
Senior Analyst: Dana Wansing, MPA

Monthly Report on Municipal Court and Revenue Filings

Reports Due December 31, 2015

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359, RSMo, effective August 28, 2015, requires every county, city, town, and village to file an addendum to the annual financial report containing (1) annual general operating revenue, (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations, and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations.

Section 479.360, RSMo, effective August 28, 2015, requires every county, city, town, and village that operates a municipal court to file with its annual financial report a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

This report includes the filing status for 391 cities, towns, and villages with fiscal year ends between February 28, 2015, and June 30, 2015, that did not file a financial report before August 28, 2015, or filed at least one of the required items (financial report, addendum, or certification) on or after August 28, 2015. Of the 391 entities, 204 filed an annual financial report and 120 filed an addendum. A municipal court certification was filed by 66 entities and 115 entities with a municipal court judge did not file a certification. No counties had to file within the reporting period of this report.

Appendix A

Status of Cities, Towns, and Villages Required to File Annual Financial Reports Reports Due December 31, 2015

Fiscal Year Ended February 28, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Fillmore	Yes	No	n/a
City of Vandalia	Yes	Yes ¹	No
Village of Chain of Rocks	No	No	n/a
Village of Freeburg	No	No	n/a
Village of Oaks	No	No	n/a
Village of Oakwood Park	No	No	n/a
Village of Uplands Park	Yes	Yes ¹	Yes
Total Filed	3	2	1
Total Not Filed	4	5	1
Total N/A			5

* 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the addendum and certification forms during this filing period.

n/a Entities without a municipal judge are not required to file a certification.

1 The percent was calculated and presented in the financial report or separate document, or the entity indicated no court revenues were received.

Appendix B

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015

Fiscal Year Ended March 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Belton	Yes	Yes	Yes
City of Bethany	Yes	Yes ¹	n/a
City of Blackwater	No	No	n/a
City of Butler	Yes	Yes ¹	n/a
City of California	Yes	Yes ¹	No
City of Chillicothe	No	No	n/a
City of Concordia	Yes	No	No
City of Crystal City	Yes	No	No
City of Glenaire	Yes ²	Yes ^{1,2}	Yes
City of Hardin	No	No	n/a
City of Holt	Yes	Yes	Yes
City of Jennings	Yes ²	Yes ^{1,2}	Yes
City of Jonesburg	No	No	n/a
City of Kahoka	Yes	No	n/a
City of Kearney	Yes	Yes	No
City of Kirkwood	Yes	Yes	Yes
City of Leadwood	No	No	No
City of Licking	Yes	Yes	Yes
City of Lohman	No	No	n/a
City of McKittrick	No	No	n/a
City of Mendon	No	No	n/a
City of Mosby	Yes ²	Yes ^{1,2}	Yes
City of Norborne	No	No	n/a
City of Oran	No	No	n/a
City of Osborn	Yes	No	n/a
City of Otterville	No	No	n/a
City of Paris	Yes	Yes ¹	n/a
City of Perryville	Yes	Yes ¹	No
City of Pierce City	Yes	No	No
City of Pilot Grove	Yes	Yes	n/a
City of Pleasant Hill	Yes	Yes ¹	No
City of Rock Hill	Yes	Yes ¹	No
City of Seymour	No	No	n/a
City of Spickard	No	No	n/a
City of Tarkio	Yes	No	Yes ²
City of Tindall	No	No	n/a
City of Unionville	Yes	Yes ¹	n/a
City of Verona	Yes	No	No

Appendix B

Status of Cities, Towns, and Villages Required to File Annual Financial Reports Reports Due December 31, 2015

Fiscal Year Ended March 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Wellsville	No	No	No
City of West Plains	Yes	Yes ¹	No
Town of Paynesville	No	No	n/a
Village of Arrow Rock	Yes	No	n/a
Village of Benton City	Yes	No	n/a
Village of Bethel	Yes	No	n/a
Village of Claycomo	No	No	No
Village of Corning	No	No	n/a
Village of Gibbs Village	No	No	n/a
Village of Grayson	No	No	n/a
Village of Leslie	No	No	n/a
Village of Lock Springs	No	No	n/a
Village of Oakview	Yes	Yes ¹	Yes
Village of Scotsdale	No	No	n/a
Village of Sunrise Beach	No	No	No
Village of Velda Village Hills	Yes	Yes ¹	No
Village of Vista	No	No	n/a
Village of Zalma	No	No	n/a
Total Filed	30	20	9
Total Not Filed	26	36	15
Total N/A			32

* 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the addendum and certification forms during this filing period.

n/a Entities without a municipal judge are not required to file a certification.

1 The percent was calculated and presented in the financial report or separate document, or the entity indicated no court revenues were received.

2 Filed before August 28, 2015.

Appendix C

Status of Cities, Towns, and Villages Required to File Annual Financial Reports Reports Due December 31, 2015

Fiscal Year Ended April 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Ashland	Yes	Yes ¹	n/a
City of Beverly Hills	Yes	Yes ¹	No
City of Carl Junction	Yes	Yes ¹	No
City of Higbee	Yes	No	n/a
City of Kansas City	Yes	Yes ¹	No
City of La Belle	Yes	No	n/a
City of La Grange	Yes	No	n/a
City of Lake Waukomis	No	No	No
City of Linn	Yes	Yes ¹	n/a
City of Perry	Yes	No	n/a
City of Portageville	No	No	No
City of Risco	No	No	No
City of St. James	Yes	Yes	Yes
City of Trenton	Yes	Yes ¹	n/a
Town of Grand Falls Plaza	Yes	No	n/a
Village of Gentry	No	No	n/a
Village of Ionia	No	No	n/a
Village of Truxton	Yes	No	n/a
Total Filed	13	7	1
Total Not Filed	5	11	6
Total N/A			11

* 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the addendum and certification forms during this filing period.

n/a Entities without a municipal judge are not required to file a certification.

1 The percent was calculated and presented in the financial report or separate document, or the entity indicated no court revenues were received.

Appendix D

Status of Cities, Towns, and Villages Required to File Annual Financial Reports Reports Due December 31, 2015

Fiscal Year Ended May 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Alma	Yes	No	No
City of La Monte	Yes	No	No
City of Louisiana	Yes	No	No
Village of Centertown	No	No	n/a
Village of Gordonville	Yes	Yes	Yes
Village of Lucerne	Yes	Yes ¹	n/a
Total Filed	5	2	1
Total Not Filed	1	4	3
Total N/A			2

* 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the addendum and certification forms during this filing period.

n/a Entities without a municipal judge are not required to file a certification.

1 The percent was calculated and presented in the financial report or separate document, or the entity indicated no court revenues were received.

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Adrian	Yes	No	n/a
City of Alba	Yes	No	n/a
City of Albany	No	No	n/a
City of Altenburg	No	No	n/a
City of Alton	No	No	n/a
City of Amazonia	Yes	No	n/a
City of Arbyrd	Yes	No	No
City of Archie	No	No	n/a
City of Arkoe	No	No	n/a
City of Ash Grove	Yes	Yes ¹	No
City of Ava	No	No	No
City of Bagnell	No	No	n/a
City of Barnard	No	No	n/a
City of Battlefield	Yes	Yes ¹	No
City of Bell City	Yes	No	n/a
City of Bella Villa	No	No	Yes
City of Belle	No	No	Yes
City of Bellefontaine Neighbors	Yes	Yes ¹	Yes
City of Benton	Yes	No	n/a
City of Berger	No	No	No
City of Berkeley	No	No	No
City of Bernie	No	No	No
City of Bevier	Yes	Yes	n/a
City of Bismarck	No	No	No
City of Black Jack	Yes	Yes ¹	No
City of Bland	No	No	No
City of Bloomfield	No	No	No
City of Bogard	Yes	No	n/a
City of Bourbon	Yes	Yes ¹	No
City of Bragg City	No	No	n/a
City of Braymer	Yes	No	n/a
City of Breckenridge	No	No	n/a
City of Brunswick	No	No	n/a
City of Bunceton	No	No	n/a
City of Bunker	No	No	n/a
City of Burlington Junction	Yes	Yes	Yes
City of Byrnes Mill	Yes	Yes ¹	No
City of Cabool	Yes	Yes	Yes

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Callao	Yes	Yes	n/a
City of Campbell	Yes	Yes ¹	No
City of Canton	Yes	No	n/a
City of Cape Girardeau	Yes	Yes	Yes
City of Carthage	No	No	No
City of Caruthersville	Yes	Yes	Yes
City of Chamois	No	No	n/a
City of Charlack	Yes	Yes	Yes
City of Chula	No	No	n/a
City of Clarence	No	No	n/a
City of Clarkson Valley	Yes ²	Yes	Yes
City of Clarksville	No	No	n/a
City of Clarkton	No	No	No
City of Cleveland	No	No	n/a
City of Clever	No	No	No
City of Coffey	Yes	No	n/a
City of Country Club Hills	Yes	Yes ¹	Yes
City of Craig	No	No	n/a
City of Crane	No	No	No
City of Creighton	Yes	No	n/a
City of Creve Coeur	Yes	Yes	Yes
City of Crocker	No	No	No
City of Cuba	Yes	No	No
City of De Witt	Yes	No	n/a
City of Delta	No	No	Yes
City of Desloge	Yes	Yes ¹	Yes
City of Diamond	Yes	Yes ¹	No
City of Doniphan	No	No	n/a
City of Doolittle	No	No	n/a
City of Dudley	Yes	No	n/a
City of Duenweg	No	No	No
City of Edmundson	Yes	Yes	Yes
City of Ellington	Yes	Yes ¹	n/a
City of Elmo	Yes	No	n/a
City of Essex	Yes	No	n/a
City of Ethel	No	No	n/a
City of Eureka	Yes	Yes	Yes
City of Everton	Yes	No	n/a

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Ewing	No	No	n/a
City of Fair Grove	Yes	Yes ¹	No
City of Fayette	No	No	No
City of Ferguson	Yes	No	Yes
City of Fisk	No	No	n/a
City of Fordland	Yes	Yes	Yes
City of Frankford	Yes	No	No
City of Franklin	Yes	No	n/a
City of Freeman	No	No	n/a
City of Frohna	No	No	n/a
City of Frontenac	Yes	Yes	Yes
City of Galt	No	No	n/a
City of Garden City	Yes	No	No
City of Gasconade	No	No	No
City of Gideon	No	No	No
City of Gladstone	Yes	Yes	Yes
City of Glasgow	No	No	No
City of Glendale	Yes	Yes ¹	n/a
City of Gower	No	No	No
City of Granby	No	No	No
City of Green City	No	No	n/a
City of Green Ridge	No	No	n/a
City of Greenfield	No	No	No
City of Greenwood	Yes	Yes ¹	Yes
City of Hallsville	Yes	Yes	Yes
City of Hamilton	No	No	n/a
City of Hannibal	Yes	Yes ¹	No
City of Harris	No	No	n/a
City of Hartville	No	Yes	Yes
City of Hayti	Yes	Yes ¹	No
City of Hazelwood	Yes	Yes	Yes
City of Herculaneum	No	No	No
City of Hermann	Yes	Yes ¹	Yes
City of Hermitage	Yes	No	n/a
City of Highlandville	Yes	No	No
City of Hillsboro	No	No	No
City of Holcomb	No	No	No
City of Holden	No	No	n/a

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Houston Lake	No	No	n/a
City of Howardville	Yes	No	No
City of Huntsville	No	No	No
City of Hurdland	Yes	No	n/a
City of Independence	Yes	Yes	Yes
City of Irondale	Yes	No	n/a
City of Ironton	No	No	n/a
City of Jamesport	Yes	No	n/a
City of Kennett	Yes	No	No
City of Keytesville	No	No	n/a
City of King City	No	No	n/a
City of Kinloch	No	No	No
City of Koshkonong	Yes	No	n/a
City of La Plata	No	No	No
City of La Russell	No	No	n/a
City of Laddonia	No	No	n/a
City of Lake Annette	No	No	n/a
City of Lake St. Louis	Yes	Yes	No
City of Lake Tapawingo	Yes	No	No
City of Lamar	No	No	No
City of Lathrop	No	No	No
City of Lawson	No	No	No
City of Leadington	Yes	Yes ¹	No
City of Lebanon	Yes	No	No
City of Lee's Summit	Yes	Yes ¹	No
City of Lewistown	No	No	n/a
City of Lilbourn	No	No	No
City of Linn Creek	No	No	No
City of Lockwood	Yes	No	n/a
City of Lone Jack	Yes	Yes	No
City of Madison	No	No	n/a
City of Malden	No	Yes	No
City of Maplewood	Yes	Yes ¹	No
City of Marble Hill	Yes	Yes ¹	n/a
City of Marthasville	Yes	Yes	n/a
City of Maysville	Yes	No	n/a
City of Mercer	No	No	n/a
City of Meta	No	No	n/a

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Middletown	Yes	No	n/a
City of Milan	No	No	n/a
City of Miller	Yes	Yes ¹	No
City of Mindenmines	Yes	No	n/a
City of Moberly	Yes	Yes	Yes
City of Montgomery	No	No	No
City of Morrison	No	No	n/a
City of Morrisville	Yes	No	n/a
City of Mountain Grove	Yes	Yes ¹	No
City of Mountain View	No	No	No
City of Neck City	Yes	No	n/a
City of Nelson	Yes	No	n/a
City of New Florence	No	No	No
City of New Haven	Yes	Yes	Yes
City of New London	No	No	n/a
City of Newburg	Yes	Yes	Yes
City of Northmoor	Yes	No	No
City of Norwood	Yes	Yes ¹	No
City of Novinger	No	No	n/a
City of Oakland	No	No	No
City of Olivette	Yes	Yes	Yes
City of Olympian Village	No	No	n/a
City of Oronogo	Yes	Yes ¹	No
City of Overland	Yes	Yes	Yes
City of Owensville	No	Yes	Yes
City of Pacific	No	No	No
City of Parma	No	No	No
City of Piedmont	Yes	No	n/a
City of Pilot Knob	Yes	No	n/a
City of Pine Lawn	Yes	Yes	Yes
City of Plattsburg	No	No	No
City of Pleasant Valley	Yes	Yes	Yes
City of Potosi	Yes	Yes ¹	No
City of Prairie Home	Yes	Yes ¹	n/a
City of Purdy	Yes	No	No
City of Puxico	No	No	No
City of Qulin	No	No	n/a
City of Richland	No	No	No

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Richmond Heights	Yes	Yes	Yes
City of Riverside	Yes	Yes	Yes
City of Rocheport	No	No	n/a
City of Rockaway Beach	No	No	No
City of Rogersville	Yes	Yes	Yes
City of Salem	No	Yes	n/a
City of Salisbury	No	No	n/a
City of Scott City	Yes	Yes ¹	No
City of Senath	No	No	No
City of Shelbina	No	No	n/a
City of Sikeston	No	No	No
City of Smithton	No	No	No
City of South Gorin	No	No	n/a
City of Sparta	No	No	No
City of Springfield	Yes	No	No
City of St. Joseph	No	No	No
City of St. Louis	Yes	Yes	Yes
City of St. Thomas	No	No	n/a
City of Steele	Yes	Yes ¹	No
City of Steelville	No	No	n/a
City of Stover	No	No	n/a
City of Sturgeon	Yes	No	n/a
City of Summersville	No	No	No
City of Taos	Yes	No	n/a
City of Thayer	Yes	Yes ¹	Yes
City of Troy	No	Yes	Yes
City of Truesdale	Yes	Yes ¹	n/a
City of Union	Yes	Yes ¹	Yes
City of University City	No	No	No
City of Urbana	Yes	Yes ¹	Yes
City of Valley Park	No	Yes	Yes
City of Velda City	No	No	No
City of Viburnum	No	No	n/a
City of Vienna	Yes	Yes ¹	n/a
City of Vinita Park	Yes	Yes	Yes
City of Waco	Yes	No	n/a
City of Walker	No	No	n/a
City of Warrenton	Yes	Yes	Yes

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Warson Woods	Yes	Yes ^{1,2}	No
City of Washburn	Yes	Yes ¹	No
City of Waverly	Yes ²	No	Yes
City of Wayland	No	No	n/a
City of Weaubleau	Yes	No	n/a
City of Webster Groves	Yes	Yes ¹	Yes
City of Wellington	No	No	No
City of Wellston	Yes	Yes ¹	No
City of Wheatland	No	No	n/a
City of Winchester	Yes	Yes	Yes
City of Wood Heights	No	No	Yes
City of Woodson Terrace	Yes	Yes	Yes
Town of Brooklyn Heights	Yes	No	n/a
Town of Cooter	Yes	No	No
Town of Grantwood Village	Yes	Yes	Yes
Town of Huntsdale	No	No	n/a
Village of Aldrich	Yes	Yes	n/a
Village of Altamont	No	No	n/a
Village of Aullville	No	No	n/a
Village of Bakersfield	Yes	Yes ¹	n/a
Village of Baldwin Park	No	No	n/a
Village of Biehle	No	No	n/a
Village of Big Lake	Yes	Yes ¹	n/a
Village of Bigelow	Yes	No	n/a
Village of Birmingham	No	No	Yes
Village of Blodgett	No	No	n/a
Village of Blue Eye	Yes	No	n/a
Village of Brumley	No	No	n/a
Village of Bull Creek	No	No	n/a
Village of Calverton Park	Yes	Yes	Yes
Village of Catron	Yes	No	n/a
Village of Cliff Village	No	No	n/a
Village of Commerce	No	No	n/a
Village of Coney Island	Yes	No	n/a
Village of Dalton	Yes	No	n/a
Village of Darlington	No	No	n/a
Village of Diehlstadt	Yes	No	n/a
Village of Diggins	Yes	No	n/a

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
Village of Elmira	No	No	n/a
Village of Evergreen	No	No	n/a
Village of Flemington	Yes	No	n/a
Village of Gerster	No	No	n/a
Village of Glen Allen	No	No	n/a
Village of Glen Echo Park	Yes	Yes ¹	n/a
Village of Grand Pass	Yes	Yes	Yes
Village of Granger	No	No	n/a
Village of Hanley Hills	Yes	Yes ¹	No
Village of Hartsburg	No	No	n/a
Village of Innsbrook	Yes	No	n/a
Village of Jacksonville	No	No	n/a
Village of Josephville	No	No	n/a
Village of Kingdom City	Yes	No	n/a
Village of Lambert	Yes	No	n/a
Village of Leonard	Yes	Yes ¹	n/a
Village of Livonia	No	No	n/a
Village of Loch Lloyd	Yes	Yes	n/a
Village of Louisburg	Yes	No	n/a
Village of McCord Bend	No	No	n/a
Village of Merwin	No	No	n/a
Village of Monticello	No	No	n/a
Village of Mooresville	No	No	n/a
Village of Mount Moriah	Yes	No	n/a
Village of Norwood Court	Yes	No	n/a
Village of Oak Ridge	Yes	No	n/a
Village of Parkway	Yes	No	n/a
Village of Pollock	No	No	n/a
Village of Rensselaer	No	No	n/a
Village of Saginaw	Yes	No	n/a
Village of South Lineville	No	No	n/a
Village of St. Cloud	No	No	n/a
Village of Stella	No	No	n/a
Village of Vanduser	Yes	No	n/a
Village of Weatherby	Yes	No	n/a

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports Reports Due December 31, 2015

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
Village of Whitewater	No	No	Yes
Village of Wilson City	No	No	n/a
Village of Wooldridge	Yes	No	n/a
Total Filed	153	89	54
Total Not Filed	151	215	90
Total N/A			160

* 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the addendum and certification forms during this filing period.

n/a Entities without a municipal judge are not required to file a certification.

1 The percent was calculated and presented in the financial report or separate document, or the entity indicated no court revenues were received.

2 Filed before August 28, 2015.



Nicole Galloway, CPA
Missouri State Auditor

Monthly Report on Municipal Court and Revenue Filings

January 2016



February 2016
Report No. 2016-008

<http://auditor.mo.gov>

Monthly Report on Municipal Court and Revenue Filings

January 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Nia Ray, Director
Department of Revenue
Jefferson City, Missouri

Section 479.362, RSMo, requires the State Auditor's Office (SAO) to notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them.

The primary objective of this compilation is to report the updated filing status for certain cities, towns, and villages required to file a financial report by December 31, 2015, under Section 105.145; addendum under Section 479.359, RSMo, and 15 CSR 40-3.170; and, when applicable, a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180. No counties, cities, towns, or villages had a fiscal year end of July 31, 2015, therefore no financial reports, addendums, or certifications were due by January 31, 2016.

This report includes those cities, towns, and villages with fiscal year ends between February 28, 2015, and June 30, 2015, that filed at least one of the required items (financial report, addendum, or certification) in January 2016, after the December 31, 2015, filing deadline. The filing status for these 142 cities, towns, and villages is presented in summary on page 3 and by individual entity in the appendix.

A handwritten signature in black ink, reading "Nicole R. Galloway", is positioned above the printed name of the State Auditor.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
General Counsel: Paul Harper, JD
Senior Analyst: Dana Wansing, MPA

Monthly Report on Municipal Court and Revenue Filings

January 2016

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359, RSMo, effective August 28, 2015, requires every county, city, town, and village to file an addendum to the annual financial report containing (1) annual general operating revenue; (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations; and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations.

Section 479.360, RSMo, effective August 28, 2015, requires every county, city, town, and village that operates a municipal court to file with its annual financial report a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

No counties, cities, towns, or villages had a fiscal year end of July 31, 2015, therefore no financial reports, addendums, or certifications were due by January 31, 2016.

This report includes the filing status for 142 cities, towns, and villages with fiscal year ends between February 28, 2015, and June 30, 2015, that filed at least one of the required items (financial report, addendum, or certification) in January 2016, after the December 31, 2015, filing deadline. Of these entities, 46 filed an annual financial report, 91 filed an addendum, and 70 filed a municipal court certification. Of the 142 entities, 136 were also included in Report No. 2016-007, *Monthly Report on Municipal Court and Revenue Filings, Reports Due December 31, 2015*. Six entities (City of Charleston, City of Dexter, City of New Franklin, City of Sedalia, Village of Rhineland, and Village of Vinita Terrace) filed a financial report before August 28, 2015, and were not included in that report; however, they also filed at least 1 of the required items in January 2016, as indicated in the appendix.

Appendix
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in January 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
Fiscal Year Ended February 28, 2015			
City of Fillmore	**	Yes	n/a
City of Vandalia	**	** ¹	Yes
Village of Freeburg	No	Yes	n/a
Village of Vinita Terrace	** ²	** ^{1,2}	Yes
Fiscal Year Ended March 31, 2015			
City of California	**	** ¹	Yes
City of Chillicothe	Yes	Yes ¹	Yes
City of Concordia	**	Yes	Yes
City of Crystal City	**	Yes	Yes
City of Hardin	Yes	No	n/a
City of Jonesburg	No	No	Yes
City of Kahoka	**	Yes	n/a
City of Kearney	**	**	Yes
City of McKittrick	No	Yes	n/a
City of Perryville	**	** ¹	Yes
City of Pleasant Hill	**	** ¹	Yes
City of Rock Hill	**	** ¹	Yes
City of Sedalia	** ²	** ^{1,2}	Yes
City of Tarkio	**	Yes	** ²
City of Verona	**	Yes	Yes
City of Wellsville	No	Yes	Yes
City of West Plains	**	** ¹	Yes
Town of Paynesville	Yes	Yes	n/a
Village of Rhineland	** ²	Yes	Yes
Fiscal Year Ended April 30, 2015			
City of Beverly Hills	**	** ¹	Yes
City of Carl Junction	**	** ¹	Yes
City of Charleston	** ²	Yes	Yes
City of Higbee	**	Yes	n/a
City of Kansas City	**	** ¹	Yes
City of Perry	**	Yes	Yes
Town of Grand Falls Plaza	**	Yes ¹	n/a
Fiscal Year Ended May 31, 2015			
City of Louisiana	**	Yes	Yes
Fiscal Year Ended June 30, 2015			
City of Alba	**	Yes	n/a
City of Albany	No	Yes	n/a
City of Alton	Yes	No	n/a

Appendix
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in January 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Amazonia	**	Yes	n/a
City of Arbyrd	**	Yes	No
City of Archie	Yes	No	n/a
City of Ash Grove	**	** ¹	Yes
City of Ava	Yes	No	No
City of Bell City	**	Yes	n/a
City of Benton	**	Yes	n/a
City of Berkeley	Yes	Yes	Yes
City of Black Jack	**	** ¹	Yes
City of Bland	Yes	Yes	Yes
City of Bloomfield	Yes	Yes ¹	No
City of Bogard	**	Yes	n/a
City of Bourbon	**	** ¹	Yes
City of Bunceton	No	Yes	n/a
City of Byrnes Mill	**	** ¹	Yes
City of Campbell	**	** ¹	Yes
City of Canton	**	Yes	n/a
City of Carthage	Yes	Yes	Yes
City of Clarence	Yes	No	n/a
City of Clarksville	Yes	No	n/a
City of Cleveland	No	Yes	n/a
City of Clever	Yes	Yes ¹	No
City of Coffey	**	Yes	n/a
City of Dexter	** ²	Yes	Yes
City of Dudley	**	Yes	n/a
City of Elmo	**	Yes	n/a
City of Essex	**	Yes	n/a
City of Fair Grove	**	** ¹	Yes
City of Ferguson	**	Yes	**
City of Frankford	**	Yes	Yes
City of Garden City	**	Yes	No
City of Glasgow	Yes	Yes	Yes
City of Gower	Yes	Yes	Yes
City of Hamilton	Yes	Yes	Yes
City of Hannibal	**	** ¹	Yes
City of Harris	Yes	No	n/a
City of Hermitage	**	Yes	n/a
City of Highlandville	**	Yes	Yes
City of Hillsboro	Yes	Yes ¹	Yes
City of Holden	No	Yes	n/a

Appendix
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in January 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Howardville	**	Yes	Yes
City of Huntsville	Yes	No	No
City of Kennett	**	No	Yes
City of Keytesville	Yes	Yes	n/a
City of Kinloch	Yes	Yes	Yes
City of La Plata	Yes	Yes	Yes
City of Lake St. Louis	**	**	Yes
City of Lake Tapawingo	**	Yes	Yes
City of Lamar	Yes	Yes ¹	No
City of Lathrop	Yes	Yes	No
City of Lawson	Yes	No	No
City of Leadington	**	** ¹	Yes
City of Lebanon	**	Yes	Yes
City of Lee's Summit	**	** ¹	Yes
City of Linn Creek	Yes	Yes ¹	No
City of Lockwood	**	Yes	n/a
City of Madison	Yes	Yes ¹	n/a
City of Malden	No	**	Yes
City of Maplewood	**	** ¹	Yes
City of Maysville	**	Yes	n/a
City of Mercer	Yes	No	n/a
City of Meta	Yes	Yes ¹	n/a
City of Middletown	**	Yes	Yes
City of Milan	Yes	No	n/a
City of Montgomery	No	Yes	Yes
City of Morrisville	**	Yes	n/a
City of Mountain Grove	**	** ¹	Yes
City of Mountain View	No	Yes	Yes
City of New Florence	No	Yes	Yes
City of New Franklin	Yes ³	Yes ¹	n/a
City of Norwood	**	** ¹	Yes
City of Oronogo	**	** ¹	Yes
City of Pacific	Yes	Yes ¹	Yes
City of Piedmont	**	Yes	Yes
City of Pilot Knob	**	Yes	n/a
City of Potosi	**	** ¹	Yes
City of Puxico	Yes	Yes	Yes
City of Rocheport	No	Yes	n/a
City of Salisbury	No	Yes	n/a
City of Senath	No	Yes	Yes

Appendix
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in January 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Sikeston	Yes	Yes	Yes
City of Smithton	Yes	Yes	Yes
City of Springfield	**	Yes	Yes
City of St. Joseph	Yes	Yes	Yes
City of Stover	Yes	No	n/a
City of Sturgeon	**	Yes	n/a
City of Summersville	Yes	Yes ¹	No
City of Troy	Yes	**	**
City of Velda City	Yes	Yes	Yes
City of Warson Woods	**	** ^{1,2}	Yes
City of Washburn	**	** ¹	Yes
City of Waverly	** ²	Yes	**
City of Wellington	Yes	No	No
Village of Blodgett	Yes	No	n/a
Village of Brumley	Yes	No	n/a
Village of Elmira	Yes	Yes	n/a
Village of Flemington	**	Yes	n/a
Village of Hanley Hills	**	** ¹	Yes
Village of Hartsburg	Yes	No	n/a
Village of Innsbrook	**	Yes	n/a
Village of Lambert	**	Yes	n/a
Village of Louisburg	**	Yes	n/a
Village of Merwin	Yes	No	n/a
Village of Norwood Court	**	Yes	n/a
Village of Parkway	**	Yes	n/a
Village of Rensselaer	No	Yes	n/a
Village of Vanduser	**	Yes	n/a
Village of Wilson City	No	Yes	n/a
Total Filed	46	91	70

* 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the SAO addendum and certification forms by cities, towns, or villages with a fiscal year end before August 28, 2015.

** Filed by the December 31, 2015, filing deadline.

1 The percent was calculated and presented in the financial report or separate document (not the SAO addendum form) or the entity indicated no court revenues were received.

2 Filed before August 28, 2015.

3 Filed an unaudited financial report before August 28, 2015, and an audited financial report including addendum information in January 2016.

n/a Entities without a municipal judge are not required to file a certification.



Nicole Galloway, CPA
Missouri State Auditor

Compilation of 2015 Criminal Activity Forfeiture Act Seizures



February 2016
Report No. 2016-009

<http://auditor.mo.gov>



CITIZENS SUMMARY

Compilation of 2015 Criminal Activity Forfeiture Act Seizures

Background	State law requires prosecuting attorneys and the attorney general to report seizures made under the Criminal Activity Forfeiture Act (CAFA) to the State Auditor and Director of the Department of Public Safety. Of the 116 potential reporting officials, the State Auditor's Office received 115 CAFA seizure reports; 110 of the reports were submitted by the required due date of January 31, 2016.
Compliance with Submitting Seizure Reports	For 2015, only one potential reporting official did not submit a report, and 110 of 115 reports were submitted by the January 31, 2016, deadline. The Ray County and Shannon County prosecuting attorneys reported their counties' seizures after the deadline. Prosecuting attorneys from three counties - Butler, Chariton, and Webster - reported after the deadline that they had no seizures. St. Clair County did not submit a report to indicate if it received any seizures. State law requires that a report be filed if seizures are received, and intentional or knowing failure to comply with reporting requirements constitutes a class A misdemeanor.
Disposition of Seizures Reported	The overall dollar value for property seized in 2015 was \$6,003,034. Of that total, \$416,612 was returned, \$3,167,512 was transferred to a federal agency, and \$62,733 was transferred to the state. The disposition for \$2,005,199 was pending at the time of reporting, and no disposition was reported for \$350,978. Dispositions reported by each prosecuting attorney and the Attorney General are included in an appendix attached to the report.
Compliance with Reporting Required Information	The 115 reports covered 585 total cases around the state. Some of the reports lacked required information, such as the date, time, and place of the seizure; whether criminal charges were filed; and the final disposition of criminal actions.

Because of the nature of this compilation, no overall rating is provided.

Compilation of 2015 Criminal Activity Forfeiture Act Seizures

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

As required by Section 513.607, RSMo, we have compiled the 2015 Criminal Activity Forfeiture Act (CAFA) seizure reports submitted to the State Auditor by prosecuting attorneys and the Attorney General. The compilation is limited to presenting information that is submitted. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them. The primary objectives of this compilation were to:

1. Compile the 2015 CAFA seizure information reported.
2. Identify officials who submitted 2015 CAFA seizure reports to the State Auditor.

Section 513.607, RSMo, requires prosecuting attorneys and the Attorney General to report CAFA seizures for the previous calendar year by January 31, to both the Director of the Department of Public Safety and the State Auditor. Of the 116 potential reporting officials, we received 115 CAFA seizure reports; 110 of these reports were submitted by the required due date of January 31, 2016.

Compliance with Section 513.653, RSMo, which requires law enforcement agencies involved in using the federal forfeiture system to submit reports regarding federal seizures and the proceeds therefrom to both the Department of Public Safety and the State Auditor's Office, will be separately reported.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
Director of Audits: Regina Pruitt, CPA
In-Charge Auditor: Becky Webb, CPA, CFE

Compilation of 2015 Criminal Activity Forfeiture Act Seizures

Executive Summary

Compliance with Submitting CAFA Seizure Reports

The State Auditor received 115 of the total possible 116 CAFA seizure reports from prosecuting attorneys and the Attorney General for property seized during calendar year 2015. All but 5 of the 115 reports were received by the January 31, 2016, deadline. The following table lists the total number of CAFA seizure reports submitted to the State Auditor for 2015, 2014, and 2013.

Reporting Status	2015		2014 ¹		2013	
By January 31	110	94.8 %	110	94.8 %	114	98.3 %
After January 31	5	4.3	5	4.3	2	1.7
Total Reported	115	99.1	115	99.1	116	100.0
Did Not Report	1	0.9	1	0.9	0	0.0
Total Possible Reports	116	100.0 %	116	100.0 %	116	100.0 %

¹ Includes CAFA seizure reports submitted by prosecuting attorneys to the State Auditor after the annual compilation reports were issued.

The Butler County, Chariton County, and Webster County prosecuting attorneys reported after the reporting deadline and reported no seizures. The Ray County and Shannon County prosecuting attorneys reported after the reporting deadline and reported seizures.

No information is presented for the St. Clair County Prosecuting Attorney who did not submit a 2015 CAFA seizure report to the State Auditor's Office by February 23, 2016, and we cannot determine if the county had any seizures to report.

In addition, we contacted the Missouri Department of Public Safety (DPS) and determined 7 prosecuting attorneys (Benton County, Chariton County, Clark County, Miller County, Shannon County, St. Clair County, and Wayne County) had not filed a CAFA seizure report with the DPS by February 23, 2016.

Section 513.607.10, RSMo, states intentional or knowing failure to comply with any reporting requirement shall be a class A misdemeanor punishable by a fine of up to \$1,000.

Disposition of the Seizures Reported

We compiled the disposition of seizures as reported by prosecuting attorneys and the Attorney General for property seized during calendar year 2015. The following table lists the overall dollar value of the dispositions by category as reported to the State Auditor for 2015, 2014, and 2013.

Reported Disposition	2015		2014 ¹		2013	
Pending	\$ 2,005,199	33.4 %	\$ 1,293,241	23.9 %	\$ 1,776,653	38.5 %
Returned	416,612	6.9	509,923	9.4	384,568	8.3
Transferred to Federal Agency	3,167,512	52.8	3,361,468	62.0	2,300,764	49.8
Transferred to State	62,733	1.0	127,856	2.4	116,220	2.5
Other	0	0.0	1,389	0.0	2,513	0.1
Disposition Not Reported	350,978	5.9	124,309	2.3	34,800	0.8
Total	\$ 6,003,034	100.0 %	\$ 5,418,186	100.0 %	\$ 4,615,518	100.0 %

¹ Includes CAFA seizure reports submitted by prosecuting attorneys to the State Auditor after the annual compilation reports were issued.



Compilation of 2015 Criminal Activity Forfeiture Act Seizures Executive Summary

See Appendix I for the 2015 CAFA seizures disposition as reported by each prosecuting attorney and the Attorney General.

Compliance with Reporting the Required Information

Section 513.607.8, RSMo, requires prosecuting attorneys and the Attorney General to report the date, time, and place of the seizure; property seized; estimated value of the property seized; person(s) from whom the property was seized; criminal charges filed; and disposition of the seizure, forfeiture, and criminal actions. For the 585 cases reported in the CAFA seizure reports received, the following table lists the required information and the number of cases that reported each required item. Some reports did not include all of the required information; therefore, our compilation includes only the information reported.

Required Information	2015		2014 ¹		2013	
Date	581	99.3 %	526	99.8 %	614	99.8 %
Time	451	77.1	387	73.4	472	76.7
Place of Seizure	574	98.1	517	98.1	614	99.8
Property Seized	584	99.8	527	100.0	615	100.0
Estimated Value of Property Seized	574	98.1	514	97.5	604	98.2
Person(s) Property Seized From	582	99.5	527	100.0	615	100.0
Criminal Charges Filed	381	65.1	314	59.6	357	58.0
Disposition of Seizure/Forfeiture	511	87.4	527	100.0	615	100.0
Disposition of Criminal Actions	456	77.9	419	79.5	498	81.0
Total Cases Reported	585	100.0 %	527	100.0 %	615	100.0 %

¹ Includes CAFA seizure reports submitted by prosecuting attorneys to the State Auditor after the annual compilation reports were issued.

See Appendix II for the number of 2015 CAFA seizure cases that reported the required information.

Appendix I

2015 CAFA Seizures Disposition Reported

Reporting Entity	Estimated Value of Cases Reported	Status Reported as of December 31, 2015					Not Reported
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Other	
Adair	\$ 0						
Andrew	0						
Atchison	3,600	3,600					
Attorney General	0						
Audrain	135,180	116,831	18,349				
Barry	560		560				
Barton	0						
Bates	0						
Benton**	2,000		2,000				
Bollinger	11,120	11,120					
Boone	59,698	57,295	849		1,554		
Buchanan	110,931	93,735	142		17,054		
Butler*	0						
Caldwell	0						
Callaway	105,748	103,259	2,489				
Camden	26,650	25,997			653		
Cape Girardeau	41,389			30,484	10,905		
Carroll	0						
Carter	20,000	20,000					
Cass	13,915	13,915					
Cedar	940	940					
Chariton* **	0						
Christian	33,538	29,388	4,150				
Clark**	0						
Clay	18,166	18,166					
Clinton	0						
Cole	61,175	61,175					
Cooper	3,191	3,191					
Crawford	28,202	28,202					
Dade	0						
Dallas	0						
Daviess	3,334	2,034			1,300		
DeKalb	0						
Dent	0						
Douglas	0						
Dunklin	8,420		8,420				
Franklin	356,705	170,439	5,364	180,902			
Gasconade	1,000	1,000					
Gentry	0						
Greene	201,459	169,527	31,932				
Grundy	4,130	4,130					
Harrison	0						

Appendix I

2015 CAFA Seizures Disposition Reported

Reporting Entity	Estimated Value of Cases Reported	Status Reported as of December 31, 2015					
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Other	Not Reported
Henry	23,424	23,424					
Hickory	0						
Holt	0						
Howard	0						
Howell	8,357	8,357					
Iron	0						
Jackson	262,671	220,454	40,025		1,046		1,146
Jasper	50,938	47,718	3,220				
Jefferson	232,812	49,046	46,097	137,509	160		
Johnson	12,852	12,852					
Knox	0						
Laclede	0						
Lafayette	75,468	51,333	20,500		3,635		
Lawrence	77,999	77,999					
Lewis	0						
Lincoln	4,770	770	4,000				
Linn	2,910		2,910				
Livingston	0						
Macon	25,343						25,343
Madison	10,000	0	0	10,000			
Maries	0						
Marion	11,100	11,100					
McDonald	1,266	1,266					
Mercer	0						
Miller**	175,000	175,000					
Mississippi	1,620				1,620		
Moniteau	0						
Monroe	0						
Montgomery	0						
Morgan	0						
New Madrid	2,765	2,165	600				
Newton	20,449	20,449					
Nodaway	0						
Oregon	0						
Osage	0						
Ozark	0						
Pemiscot	0						
Perry	0						
Pettis	12,787	12,787					
Phelps	2,253,142	24,762	957	2,227,423			
Pike	0						
Platte	22,779	14,504	8,275				

Appendix I

2015 CAFA Seizures Disposition Reported

Reporting Entity	Estimated Value of Cases Reported	Status Reported as of December 31, 2015					
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Other	Not Reported
Polk	0		0				
Pulaski	0						
Putnam	0						
Ralls	0						
Randolph	6,793	6,793					
Ray*	436	436					
Reynolds	0						
Ripley	0						
Saline	89,993	89,993					
Schuyler	0						
Scotland	0						
Scott	55,750	41,935		13,200	615		
Shannon* **	400	400					
Shelby	0						
St. Charles	458,440	17,230	30,110	411,100			
St. Clair**	DNF						
St. Francois	22,211	22,211					
St. Louis City	342,374	84,695	166,841	88,786	2,052		
St. Louis County	378,029	4,354	18,822	31,289	5,000		318,564
Ste. Genevieve	0		0				
Stoddard	9,906	9,906					
Stone	840	840					
Sullivan	0						
Taney	49,975	13,156		36,819			
Texas	0						
Vernon	10,453				4,528		5,925
Warren	25,320	25,320					
Washington	0						
Wayne**	0						
Webster*	0						
Worth	0						
Wright	12,611				12,611		
	\$ 6,003,034	2,005,199	416,612	3,167,512	62,733	0	350,978

DNF - Did not file a 2015 CAFA seizure report with the State Auditor's Office.

* Submitted the 2015 CAFA seizure report to the State Auditor's Office after the reporting deadline.

** Did not file a CAFA seizure report with the Director of Department of Public Safety as required.

This appendix compiles only the information reported to the State Auditor by prosecuting attorneys and the Attorney General. We did not verify this data.

Appendix II

2015 CAFA Seizures Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of Cases Reported	Number of Cases that Reported Required Information								
			Date	Time	Place Seized	Property Seized	Estimated Value of Property Seized	Person(s) Property Seized From	Criminal Charges Filed	Disposition	
										Seizure	Criminal Actions
Adair	0	\$ 0									
Andrew	0	0									
Atchison	1	3,600	1	1	1	1	1	1	1	1	1
Attorney General	0	0									
Audrain	9	135,180	9	4	8	9	9	9	9	9	9
Barry	1	560	1		1	1	1	1	1	1	1
Barton	0	0									
Bates	0	0									
Benton**	1	2,000	1	1	1	1	1	1	1	1	1
Bollinger	1	11,120	1	1	1	1	1	1	1	1	1
Boone	13	59,698	13		13	13	13	13	13	13	13
Buchanan	11	110,931	11	11	11	11	11	11	11	11	7
Butler*	0	0									
Caldwell	0	0									
Callaway	11	105,748	11	11	11	11	11	11	11	11	10
Camden	9	26,650	9	9	9	9	9	9	9	9	3
Cape Girardeau	5	41,389	5	5	5	5	5	5	5	5	5
Carroll	0	0									
Carter	1	20,000	1	1	1	1	1	1	1	1	1
Cass	2	13,915	2	2	2	2	2	2	1	2	2
Cedar	1	940	1		1	1	1	1	1	1	1
Chariton* **	0	0									
Christian	8	33,538	8	6	6	8	8	7	2	8	1
Clark**	0	0									
Clay	6	18,166	6	2	6	6	6	6	1	6	6
Clinton	0	0									
Cole	16	61,175	16	16	16	16	16	16	15	16	16
Cooper	2	3,191	2	2	2	2	2	2	2	2	2
Crawford	2	28,202	2		2	2	2	2	1	2	2
Dade	0	0									
Dallas	0	0									
Daviess	2	3,334	2		2	2	2	2	2	2	2
DeKalb	0	0									
Dent	0	0									
Douglas	0	0									
Dunklin	1	8,420	1		1	1	1	1	1	1	1
Franklin	38	356,705	38	20	38	38	38	38	35	38	8
Gasconade	1	1,000	1		1	1	1	1	1	1	1
Gentry	0	0									
Greene	21	201,459	21	21	20	21	21	21	9	21	20
Grundy	1	4,130	1	1	1	1	1	1	1	1	1
Harrison	0	0									

Appendix II

2015 CAFA Seizures Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of Cases Reported	Number of Cases that Reported Required Information								
					Place Seized	Property Seized	Estimated Value of Property Seized	Person(s) Seized From	Criminal Charges Filed	Disposition	
			Date	Time						Seizure	Criminal Actions
Henry	3	23,424	3	3	3	3	2	3	3	3	3
Hickory	0	0									
Holt	0	0									
Howard	0	0									
Howell	5	8,357	5	5	5	5	5	5	5	5	4
Iron	0	0									
Jackson	63	262,671	63	58	63	63	63	63	16	62	63
Jasper	10	50,938	10		10	10	10	10	10	10	10
Jefferson	35	232,812	35	35	35	35	35	34	12	35	15
Johnson	5	12,852	5	5	5	5	5	5	3	5	5
Knox	0	0									
Laclede	0	0									
Lafayette	16	75,468	16	16	16	16	16	16	16	16	1
Lawrence	2	77,999	2		2	2	2	2	2	2	2
Lewis	0	0									
Lincoln	4	4,770	4	4	4	4	3	4	4	4	4
Linn	1	2,910	1	1	1	1	1	1	1	1	1
Livingston	0	0									
Macon	3	25,343	3	3	3	3	3	3	3		3
Madison	4	10,000	1	1	1	4	1	4	3	4	1
Maries	0	0									
Marion	1	11,100	1	1	1	1	1	1	1	1	1
McDonald	1	1,266	1		1	1	1	1	1	1	1
Mercer	0	0									
Miller**	1	175,000	1	1	1	1	1	1	1	1	1
Mississippi	2	1,620	2		2	2	2	2	2	2	2
Moniteau	0	0									
Monroe	0	0									
Montgomery	0	0									
Morgan	0	0									
New Madrid	2	2,765	2		2	2	2	2	2	2	2
Newton	6	20,449	6		6	6	6	6	6	6	6
Nodaway	0	0									
Oregon	0	0									
Osage	0	0									
Ozark	0	0									
Pemiscot	0	0									
Perry	0	0									
Pettis	8	12,787	8		8	8	8	8	8	8	8
Phelps	14	2,253,142	14	13	14	14	14	14	5	14	5
Pike	0	0									
Platte	4	22,779	4		4	4	4	4	4	4	4

Appendix II

2015 CAFA Seizures Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated Value of Cases Reported	Number of Cases that Reported Required Information								
			Date	Time	Place Seized	Property Seized	Estimated Value of Property Seized	Person(s) Seized From	Criminal Charges Filed	Disposition	
										Seizure	Criminal Actions
Polk	1	0	1		1	1		1	1	1	1
Pulaski	0	0									
Putnam	0	0									
Ralls	0	0									
Randolph	11	6,793	11		11	11	8	11	11	11	10
Ray*	1	436	1		1	1	1	1	1	1	1
Reynolds	0	0									
Ripley	0	0									
Saline	6	89,993	6	4	6	6	6	6	5	6	6
Schuyler	0	0									
Scotland	0	0									
Scott	10	55,750	10	10	7	9	10	10	9	10	9
Shannon* **	1	400	1		1	1	1	1	1	1	1
Shelby	0	0									
St. Charles	20	458,440	20	20	20	20	20	20	5	20	4
St. Clair**	DNF										
St. Francois	3	22,211	3		3	3	3	3		3	3
St. Louis City	75	342,374	75	73	75	75	75	75	54	75	74
St. Louis County	79	378,029	79	77	79	79	79	78	33	11	72
Ste. Genevieve	1	0			1	1		1	1	1	1
Stoddard	1	9,906	1			1	1	1	1	1	1
Stone	1	840	1		1	1	1	1	1	1	1
Sullivan	0	0									
Taney	10	49,975	10		10	10	9	10	6	10	7
Texas	0	0									
Vernon	3	10,453	3		3	3	3	3	3	1	1
Warren	6	25,320	6	6	6	6	6	6	5	6	6
Washington	0	0									
Wayne**	0	0									
Webster*	0	0									
Worth	0	0									
Wright	2	12,611	2	1	2	2	2	2	1	2	1
	585	\$ 6,003,034	581	451	574	584	574	582	381	511	456

DNF - Did not file a 2015 CAFA seizure report with the State Auditor's Office.

* Submitted the 2015 CAFA seizure report to the State Auditor's Office after the reporting deadline.

** Did not file a CAFA seizure report with the Director of Department of Public Safety as required.

This appendix compiles the total number of 2015 CAFA seizure cases, the total estimated value of cases reported, and the number of cases that reported the required information by each prosecuting attorney and the Attorney General. We did not verify this data.



Nicole Galloway, CPA
Missouri State Auditor

Twenty-Fourth Judicial Circuit

City of Leadington Municipal Division



March 2016
Report No. 2016-010

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Leadington Municipal Division

Accounting Controls and Procedures	The division lacked adequate controls and procedures to ensure money collected by the court was properly recorded and transmitted for deposit. The municipal judge and city personnel did not perform adequate supervisory or independent reviews of the accounting functions and records of the court clerk, the municipal division's only employee. The division did not prepare monthly lists of liabilities for comparison to bank account balances and was unable to determine the proper disposition for over \$3,300 held in an inactive bond bank account and over \$3,000 in the municipal division bank account, increasing the risk of misuse of funds. The clerk also did not periodically review accrued costs owed to the municipal division.
Municipal Division Procedures	Auditors identified case information for 178 cases was not included in monthly reports to the Office of State Courts Administrator because the division failed to detect coding errors in the case management system. The division did not assess court costs according to state law and the city lacked an ordinance for collection of a \$1 Judicial Education Fund fee. The division did not have procedures to review and approve adjustments to amounts owed by defendants or documentation to support all adjustments. The municipal judge did not approve the final disposition of all cases and the prosecuting attorney did not always clearly document his approval of dismissed tickets. The division did not require passwords be changed periodically to restrict access to computers and data.
Ticket Accountability	The city police and municipal division lacked procedures to adequately account for all traffic tickets issued. Auditors identified two missing ticket books, both of which had been issued to former police officers.
Monitoring of Excess Revenues	The division lacked adequate procedures to calculate revenue from traffic violations to determine excess revenues owed to the Missouri Department of Revenue. The city initially prepared calculations that would have understated traffic violation revenues and overstated general operating revenues but corrected those calculations, timely reported, and paid \$7,891.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Twenty-Fourth Judicial Circuit

City of Leadington Municipal Division

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Twenty-Fourth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Leadington, Missouri

We have audited certain operations of the City of Leadington Municipal Division of the Twenty-Fourth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo, and as part of the State Auditor's Municipal Courts Initiative. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2015. The objectives of our audit were to:

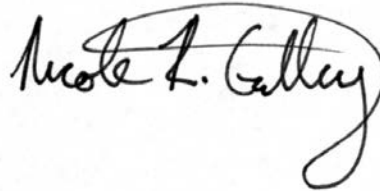
1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) no noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Leadington Municipal Division of the Twenty-Fourth Judicial Circuit.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Deborah Whitis, MBA, CPA, CIA, CFE
In-Charge Auditor:	Heather R. Stiles, MBA, CPA, CFE
Audit Staff:	Sara L. Lewis, CPA

Twenty-Fourth Judicial Circuit

City of Leadington Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. For the year ended June 30, 2015, the municipal division's case management system indicates net collections totaled approximately \$215,000. Bonds recorded in the case management system and deposited into the municipal division's bond account during this period totaled approximately \$22,000.

1.1 Case management system controls

The municipal division does not have adequate controls and procedures to ensure monies collected are properly recorded in the receipt management module of the case management system and transmitted for deposit.

The municipal division's case management system consists of a receipt management module and a court management module. The court management module is utilized to document all case activity from entry of the offense through the final disposition. Payments are recorded through the receipt management module and updated to the court management module daily. However, payments can also be posted directly to the court management module. Payments posted directly to the court management module reduce balances due from defendants but are not shown on the receipt listing report, generated from the receipt management module and used to prepare deposit transmittals. Due to this system weakness and the lack of oversight discussed in section 1.2, there is less assurance all receipts have been processed properly.

To reduce the risk of loss, theft, or misuse of funds, and to ensure case activity is properly recorded in the case management system, controls should be implemented to ensure payments are properly receipted through the receipt management module and reconciled to daily activity recorded in the court management module.

1.2 Oversight

Neither the Municipal Judge nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. Proper segregation of duties within the municipal division is not possible because the Court Clerk is the only municipal division employee.

The Court Clerk is responsible for all duties related to collecting court monies, recording and posting these monies to the case management system and transmitting them to the City Clerk for deposit into the city's operating account or the municipal division's bond account. The City Clerk's review of monies transmitted by the municipal division is limited to ensuring the total amount and composition recorded in the receipt management module agrees to the total amount and composition transmitted to the city for deposit. The City Clerk does not compare any manual receipt slips issued or the total amount recorded in the electronic receipt management module to the total amount recorded in the court management module to ensure all receipts are properly recorded and transmitted for deposit.



Twenty-Fourth Judicial Circuit
City of Leadington Municipal Division
Management Advisory Report - State Auditor's Findings

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented supervisory or independent reviews of accounting records.

1.3 Inactive bank account

The municipal division maintains an inactive bond bank account. The municipal division has not prepared a list of liabilities (open bonds) for comparison to the account balance and has been unable to reconcile bond liabilities to the bank balance. As of June 30, 2015, the bank balance for this account totaled \$5,048, of which \$1,740 represented 52 uncashed bond refund checks. Forty nine of the checks had been outstanding for more than 2 years, including 4 checks dating back to 2000. The proper disposition of the remaining \$3,308 was unknown. The municipal division was unable to determine which cases these monies were associated with and whether the bonds should have been forfeited, applied to fines and costs, or refunded.

In November 2014, the municipal division opened a new bond bank account to assist in the reconciliation of bond liabilities to bank balance for new activity beginning in December 2014.

Maintaining an inactive account increases the risk of misuse of funds. To ensure funds are disposed of properly, the municipal division should dispose of the monies held in the inactive bond bank account in accordance with state law and close the account.

1.4 Liabilities

The Court Clerk does not prepare monthly lists of liabilities for the municipal division bank account, and consequently, liabilities are not compared to the reconciled bank balance.

Normally, all collections deposited during a month are to be disbursed at month end. However, the reconciled bank balance at May 31, 2015, totaled \$3,057. The municipal division had not determined how this balance had accumulated or where it was due. We reviewed monthly reports from the case management system and identified liabilities (collections not distributed) totaling \$3,030 dating back to October 2013, leaving an unidentified balance of \$27.

Monthly lists of liabilities should be prepared and reconciled to cash balances to ensure records are in balance, errors are detected and corrected timely, and sufficient funds are available for payment of all liabilities. Any differences should be promptly investigated and resolved, and any unidentified monies should be disposed of in accordance with state law.

1.5 Accrued costs

The Court Clerk does not periodically review accrued costs owed to the municipal division, including fines and court costs, incarceration costs, and



Twenty-Fourth Judicial Circuit
City of Leadington Municipal Division
Management Advisory Report - State Auditor's Findings

court-ordered restitution. The case management system tracks accrued costs and can produce a report of balances due; however, the Court Clerk does not print and review this report to identify cases that need additional collection efforts or are potentially uncollectible. As of June 30, 2015, accrued costs totaled approximately \$221,000 in the case management system.

Proper and timely monitoring of receivables is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for non-payment. In addition, proper monitoring is necessary to provide information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible.

Recommendations

The City of Leadington Municipal Division:

- 1.1 Develop procedures to ensure case activity receipted through the receipt management module is reconciled to daily activity recorded in court management module and amounts transmitted to the city for deposit.
- 1.2 Ensure documented thorough independent or supervisory reviews of municipal division accounting records are periodically performed.
- 1.3 Dispose of monies held in the inactive bond bank account in accordance with state law and close the account.
- 1.4 Prepare monthly lists of liabilities and reconcile the lists to the bank balance, promptly investigate and resolve differences, and establish procedures to review the status of liabilities to determine the appropriate disposition of funds held.
- 1.5 Establish procedures to routinely generate and review the accrued costs list, and ensure proper follow up on amounts due, and provide information to and work with the Municipal Judge regarding amounts deemed uncollectible.

Auditee's Response

- 1.1 *Procedures have already been developed and implemented to ensure daily court and receipt activity reconciles with deposits by having the City Clerk review and approve that the receipt management module is reconciled to the daily activity recorded in the court management module.*
- 1.2 *As noted in MAR 1.1 response, the municipal division and city have already implemented procedures to ensure that an independent supervisory review of municipal division accounting records is performed. In addition, the monthly caseload summary reports are*



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now being reviewed and signed by the Municipal Judge evidencing his approval.

- 1.3 *The inactive bond bank account has been closed and all monies held in the account have been disposed of according to state law.*
- 1.4 *Procedures have been developed and implemented to ensure that monthly listings of liabilities are reconciled to the bank balance, prompt investigation is done to resolve differences, and a final review of the status of liabilities is performed to ensure funds are distributed appropriately. In addition, the \$3,030 in identified liabilities were distributed to appropriate entities and the \$27 unidentified balance was disposed of according to state law.*
- 1.5 *Procedures have been developed and implemented to address this recommendation. The Court Clerk will routinely generate and review an accrued costs list and provide a report of accrued costs to the Municipal Judge for review. The Court Clerk will obtain the Municipal Judge's orders concerning actions to be taken to collect such sums or deem amounts uncollectible.*

2. Municipal Division Procedures

Procedures related to monthly reporting, assessment of court costs and fees, fee adjustments, case dispositions, Prosecuting Attorney approval, and passwords need improvement.

2.1 Monthly reports

The Court Clerk did not submit accurate monthly reports of municipal division activity to the Office of State Courts Administrator (OSCA). As a result, municipal division activities have been incorrectly reported to the state.

The Court Clerk generates the monthly Municipal Division Summary Reporting Form from the computerized case management system, showing caseload information, warrant information, and collection amounts entered into the case management system. Our review of the monthly reports during the fiscal year identified caseload information for 178 cases was not included because the initial offense code information was not programmed correctly in the case management system. While the case management system generates a monthly error log showing all cases not reported in caseload information, the municipal division does not have procedures in place to investigate and resolve the errors noted.

Missouri Supreme Court Operating Rules 4.28 and 4.29 and OSCA instructions require monthly reports of case information be submitted to the OSCA. Reports are to be submitted by the 15th of the month following the reporting month and include all activities that have occurred since the last report. To ensure accurate information is reported to the OSCA, the



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municipal division should establish procedures to generate accurate monthly Municipal Division Summary Reporting Forms. Such procedures should include ensuring monthly reports include all activities of the entire month and any cases noted on error logs are reviewed and corrected.

2.2 Court costs and fees

The municipal division was not assessing court costs in compliance with state law. Prior to May 2015, the municipal division was inappropriately assessing and collecting court costs of \$3 for the Sheriff Retirement Fund (SRF) on seatbelt violations. Additionally, the municipal division did not assess or collect the \$11 clerk fee for child restraint violations.

Section 307.178.5, RSMo, states a fine not to exceed \$10 may be imposed and no court costs shall be imposed on any person for a seat belt law violation. In addition, section 307.179.3, RSMo, states a fine not to exceed \$50 and court costs may be imposed on any driver improperly transporting a child required to be secured in a child passenger restraint system. The municipal division should review all court costs to ensure fees are assessed in accordance with state law and Supreme Court Operating Rules.

2.3 Judicial education fund

The city has not established an ordinance authorizing the collection of the Judicial Education Fund (JEF) fee. The municipal division assesses and collects a \$1 fee for JEF for each municipal ordinance violation to be used for judicial education and training of the Municipal Judge and Court Clerk.

Section 479.260.1, RSMo, provides that municipal divisions may collect the JEF fee if authorized by the city government. To ensure compliance with state law, applicable court fees should be established by city ordinance.

2.4 Adjustments

Adjustments posted in the case management system are not properly documented and the municipal division has not established procedures for review and approval of such transactions by persons independent of the receipting and record-keeping process. Adjustments include the reduction or non-assessment of fines and court costs in which the amounts due are changed or not assessed in the court management system. Most adjustments should be supported by a judicial order amending the defendant's debt owed. Ten of 12 cases reviewed did not have a written judicial order to support the Court Clerk's removal of failure to appear fees.

Adequate documentation and independent review and approval of adjustments are necessary to help ensure transactions are appropriate and reduce the risk of errors, loss, theft, or misuse of funds.

2.5 Case dispositions

The Municipal Judge does not approve the final disposition of cases brought before the court and does not review and approve traffic and ordinance violation tickets paid at the violations bureau.



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The Court Clerk records the case activity and final disposition of each case on the official docket sheets maintained electronically in the case management system, but does not print the final docket for the Municipal Judge's review and approval.

Without better oversight of all tickets processed, the risk of improper handling of tickets and related monies increases. To ensure the proper disposition of all cases has been entered in the municipal division records, the Municipal Judge should sign the final docket to indicate approval of the recorded disposition.

2.6 Prosecutor approval

The Prosecuting Attorney's approval of dismissed tickets is not always clearly documented. The Court Clerk maintains the "Nolle Pros" stamp used by the Prosecuting Attorney to document his dismissal of a ticket. While only the Prosecuting Attorney is authorized to apply the stamp, he does not initial to verify his use of it. As a result, there is less assurance the Prosecuting Attorney authorized all dismissals.

The lack of controls over the stamp and absence of clear documentation of review by the Prosecuting Attorney increases the potential of tickets being handled improperly and the risk of loss, theft, or misuse of monies going undetected. Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the municipal division. To ensure the proper disposition of all cases has been entered in the municipal division records, the Prosecuting Attorney should sign or initial all dismissed tickets indicating his approval.

2.7 Passwords

The municipal division has not established adequate password controls to reduce the risk of unauthorized access to computers and data. The Court Clerk and city personnel authorized to access the case management system are not required to periodically change their passwords.

Passwords are required to authenticate access to computers. The security of a computer password is dependent upon keeping it confidential. However, since passwords are not periodically changed, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

Recommendations

The City of Leadington Municipal Division:

- 2.1 Establish procedures to ensure the accuracy of monthly Municipal Division Summary Reporting Forms.



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City of Leadington Municipal Division
Management Advisory Report - State Auditor's Findings

- 2.2 Review all court costs to ensure fees are assessed in accordance with state law and Supreme Court Operating Rules.
- 2.3 Request the Board of Aldermen establish an ordinance authorizing the collection of the JEF fee.
- 2.4 Ensure adequate documentation is maintained to support all adjustment transactions and ensure an independent review and approval of these transactions is performed and documented.
- 2.5 Ensure the Municipal Judge signs all court dockets.
- 2.6 Ensure the Prosecuting Attorney documents his approval of all dismissed tickets.
- 2.7 Require employees periodically change their passwords to prevent unauthorized access to municipal division computers and data.

Auditee's Response

- 2.1 *The Court Clerk has updated all codes in the case management system to ensure the accuracy of the monthly summary reports. Monthly review of this summary report will include a review of the error log generated by the system to ensure any issues are identified and corrected timely.*
- 2.2 *The current fines charged and court costs assessed have been updated in the case management system. A listing of all charge codes and related fines and court costs programmed into the system have been reviewed and approved by the Municipal Judge to ensure accuracy. Additionally, this listing will be reviewed and approved on a regular basis.*
- 2.3 *The Board of Aldermen approved an ordinance authorizing the collection of the JEF fee in January 2016.*
- 2.4 *Procedures have been developed and implemented to ensure the Municipal Judge reviews all adjustment transactions and confirms his approval of all adjustments in writing. No adjustments will occur without the written approval of the Municipal Judge.*
- 2.5 *The Municipal Judge has already begun reviewing and approving all court dockets.*
- 2.6 *No cases will be dismissed by the Prosecuting Attorney unless the Prosecuting Attorney provides his written approval for the dismissal. The Court Clerk no longer maintains the "Nolle Pros" stamp.*



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2.7 *The passwords to access the municipal division's computers and data will be periodically changed.*

3. Ticket Accountability

Neither the city police department nor the municipal division adequately account for the numerical sequence or ultimate disposition of all traffic tickets issued. The police department tracks the ticket book numbers assigned to each officer on individual logs maintained for each officer; however, a comprehensive log is not maintained of all ticket books issued. At our request, the Court Clerk generated a comprehensive sequential list of all tickets filed with the municipal division during the year ended June 30, 2015. Our review identified two missing ticket books. Both books had been issued to officers no longer employed with the police department. Subsequent to our review, the police department located one of these books, however, the second ticket book remains missing.

Section VII.D. of Leadington Municipal Court Operating Order Number 1 requires the Municipal Court Clerk to work jointly with the police department to account for all traffic tickets in numerical sequence and maintain a record of the disposition of all tickets assigned and issued by the police department. Without properly accounting for the numerical sequence and ultimate disposition of tickets issued, the police department and the municipal division cannot be assured all tickets are properly submitted for processing.

Recommendation

The City of Leadington Municipal Division work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued is accounted for properly.

Auditee's Response

The Court Clerk provides the Police Chief with a monthly ticket report and the Police Chief will review and compare with the ticket book log to ensure the numerical sequence and disposition of all tickets issued is accounted for. In addition, the Police Chief has implemented procedures to account for the numerical sequence of all ticket books issued to police officers.

4. Monitoring of Excess Revenues

The municipal division did not have adequate procedures in place to identify traffic violation revenues collected and transmitted to the city for use in the calculation of excess revenues due the Missouri Department of Revenue (DOR). The city calculated and paid excess revenues totaling \$7,891 to the DOR for the year ended June 30, 2015, and submitted its report to the State Auditor's Office (SAO) on November 12, 2015. While the final amount reported was accurate, traffic violation revenues would have been understated and general operating revenues would have been overstated had we not discussed with city officials procedural issues we identified while onsite at the time they were preparing the calculations.



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The municipal division calculated the amount of fines and court costs collected for traffic violations using certain reports from the case management system that classify case activity by type of violation. However, based upon our preliminary review before the calculations were finalized, we noted the case management system reports used by the municipal division did not include all case activity due to charge codes not being programmed accurately in the case management system. (see MAR finding number 2.1). Based on our observations, the municipal division revised procedures to determine traffic violation revenue to ensure all case activity was included. Using the revised fiscal year 2015 system reports, the municipal division calculated \$167,679 in applicable revenues from fines and court costs for traffic violations.

In addition, the city's initial calculation of total general operating revenue included \$19,367 in restricted revenues from state motor vehicle taxes and fees and restricted court costs. After our preliminary review before the city submitted its excess revenue report, the city revised the general operating revenue amount reported to exclude these restricted revenues, reducing reported general operating revenue to the correct amount of \$532,626.

Section 302.341.2, RSMo (as it existed from August 28, 2013, to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations in its annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR.

Effective August 28, 2015, Senate Bill 5 (SB 5) changes the excess revenues reporting requirements. Section 479.350, RSMo, provides new definitions for elements of the excess revenue calculation. Section 479.359, RSMo, requires cities to provide an accounting of the percent of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations with its annual financial report submitted to the SAO and reduces the amounts of these revenues the city may retain in the future. Sections 479.362 and 479.368, RSMo, establish sanctions for failure to file annual excess revenue information with the SAO, including authorizing the DOR to redirect certain revenues due to the city, the requirement to certify all pending matters in the municipal division to the circuit court, and possible dissolution of the city. Emergency Rule 15 CSR 40-3.170(6) provides three alternative calculations for cities reporting the required information for fiscal years ending before August 28, 2015.

Due to the impact of these provisions on operations of the municipal division and the city, it is important the city and its municipal division take immediate action to implement policies and procedures to ensure future compliance with state law.



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Recommendation

The City of Leadington Municipal Division work with the city to ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues and court revenues in the calculations.

Auditee's Response

The Municipal Division and the city will continue to work together to ensure that court revenues and general operating revenues reported in annual excess revenue calculations are accurate.

Twenty-Fourth Judicial Circuit

City of Leadington Municipal Division

Organization and Statistical Information

The City of Leadington Municipal Division is in the Twenty-Fourth Judicial Circuit, which consists of Madison, St. Francois, Ste. Genevieve, and Washington Counties. The Honorable Sandy Martinez serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. The municipal division does not utilize OSCA's statewide automated case management system known as JIS. Instead, the municipal division utilizes Summit, an automated case management system provided by Data Technologies, Inc., which has been approved for use in municipal divisions by the State Judicial Records Committee.

Personnel

At June 30, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	Scott Reid
Court Clerk	Altha Burgess

Financial and Caseload Information

	Year Ended June 30, 2015
Receipts	\$214,736
Number of cases filed	1,079

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 11.00
Judicial Education Fund	1.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelter ¹	4.00
Sheriff's Retirement Fund	3.00
Postage Fee	5.00
Failure to Appear (FTA) Fee ²	175.00

¹ Domestic Violence Shelter Fee increased from \$2 to \$4 effective February 12, 2015.

² In November 2014, the Municipal Division stopped assessing FTA fees and began issuing a separate citation for FTA. In May 2015, the Municipal Division stopped issuing a separate citation for FTA and began waiving some previously assessed FTA fees.



Twenty-Fourth Judicial Circuit
City of Leadington Municipal Division
Organization and Statistical Information

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2014agencyreports.pdf?sfvrsn=2>. The following table presents data excerpted from the AGO report for the City of Leadington Police Department. In addition, see information at: <https://ago.mo.gov/home/vehicle-stops-report/2014-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

Racial Profiling Data/2014 - Leadington Police Department - Population 335¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	1542	1471	50	13	6	0	2
Searches	100	86	13	1	0	0	0
Arrests	95	83	11	1	0	0	0
Statewide Population	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population	N/A	94.03	0.30	1.79	0.60	0.30	2.99
Disparity Index ²	N/A	1.01	10.86	0.47	0.65	0.00	0.04
Search Rate ³	6.49	5.85	26.00	7.69	0.00	#Num!	0.00
Contraband hit rate ⁴	31.00	33.72	15.38	0.00	#Num!	#Num!	#Num!
Arrest rate ⁵	6.16	5.64	22.00	7.69	0.00	#Num!	0.00

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

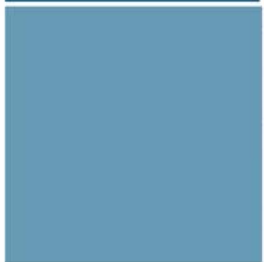
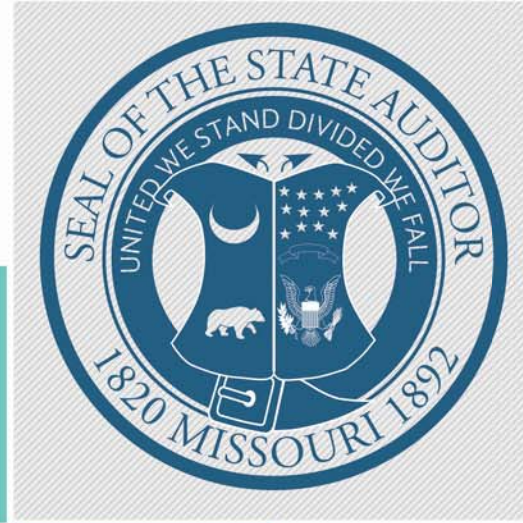
² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#Num! indicates zero denominator



2015 ANNUAL REPORT

Office of the Missouri State Auditor
Nicole Galloway, CPA



NICOLE GALLOWAY, CPA Missouri State Auditor

The Citizens of Missouri
The Honorable Jeremiah "Jay" Nixon
The Missouri General Assembly

The following report is a summary of the work conducted by the State Auditor's Office for the year 2015.

Throughout the course of the year, this office identified instances of theft and misuse of taxpayer dollars, which lead to criminal charges against those responsible. Our audits also uncovered wasted public resources and violations of law and policy in state agencies, counties, municipal courts, and other political subdivisions. We issued 135 reports, including 21 follow-up reports detailing the implementation of audit recommendations. The office also registered 183 bonds and received 188 initiative petitions. We issued the Fiscal Year 2014 Statewide Single Audit, covering the \$11.49 billion in federal funds spent by state agencies.

Since taking office, I have made cybersecurity a priority across all components of government. This has included implementing more robust cybersecurity and data protection reviews in all audits, and initiating new audits with cybersecurity as a core focus, including a series of Cyber Aware School Audits. These efforts will continue as part of an ongoing emphasis on data protection practices to keep Missourians' information secure.

As part of a broader focus on municipal court reform, my office issued rules to guide local governments in implementing court reform reporting requirements. We also continued and expanded the Municipal Courts Initiative, which adds areas of review to the standard court audit process. In addition to reviewing financial transactions, accounting practices, and compliance with court rules and state law, auditors also consider statistical information on warrants, tickets, and other penalties, and aim to identify activities related to corruption and other practices that may impair impartiality or damage the court's credibility with citizens.

On behalf of myself and my staff, we will promote accountability and transparency across Missouri government, as we continue to serve the citizens of the State of Missouri.

Sincerely,

A handwritten signature in black ink that reads "Nicole L. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole Galloway, CPA

Duties of the Missouri State Auditor

The Missouri Constitution and the Missouri Revised Statutes give the Missouri State Auditor the authority to audit all state agencies, boards and commissions, public employee retirement systems, public employee healthcare systems, the state court system, school districts, counties that do not have a county auditor, and other political subdivisions upon petition by the voters of those subdivisions.

All audits are conducted in an impartial, nonpartisan manner, in accordance with government auditing standards issued by the United States Government Accountability Office. State auditors adhere to the rigorous standards of the auditing profession and exercise the highest levels of integrity and ethics. Audit findings and recommendations are based upon reliable evidence, free from preconceived notions and the influence of personal opinions.

Audits

The State Auditor's Office performs audits of state and local government entities.

State Government Audits: The State Auditor conducts audits of state agencies, programs, and activities; boards and commissions; statewide elected officials; state colleges and universities; the General Assembly; the judiciary; the state's financial statements; and federal awards expended by the state.

Local Government Audits: For counties that do not have a county auditor, the State Auditor is required to conduct an audit at least once every 4 years. The State Auditor also conducts an audit in a county collector's office after a vacancy occurs. In addition, the State Auditor may conduct audits of transportation development districts and school districts.

Qualified voters of a political subdivision, such as cities, school districts, water districts, etc., may request an audit through the petition process. The number of verified signatures required for a petition audit is determined by Section 29.230, RSMo, as depicted in the following table:

<u>No. of Votes in Last Election for Governor</u>	<u>The Greater of</u>	
	<u>Percent</u>	<u>Minimum</u>
Below 1,000	25% of registered voters	-----
1,000 to 4,999	15% of actual votes	200
5,000 to 49,999	10% of actual votes	750
50,000 or more	5% of actual votes	5,000

See page 15 for a listing of report issued in 2015.

Fiscal Notes

The State Auditor's Office is responsible for assessing the fiscal impact of initiative petitions citizens file with the Secretary of State proposing constitutional or statutory changes. The fiscal note and fiscal note summary for each petition states the initiative's estimated costs or savings, if any, to state and local governmental entities. Once the Secretary of State certifies the official ballot title, summary statement of the measure, and the fiscal note summary, an initiative petition can be circulated publicly for signatures. Proposals that obtain the required number of signatures within statutory time limits will be voted on by the public at the next statewide General Election. For initiative petitions proposing amendments to the constitution, signatures of 8 percent of the legal voters in each of two-thirds of the congressional districts in the state are required. Initiative petitions proposing amendments to state law must be signed by 5 percent of voters of the legal voters in each of two-thirds of the congressional districts in the state.

The office is also responsible for assessing the fiscal impact for Missouri General Assembly adopted joint resolutions proposing constitutional amendments or bills without a fiscal note summary, which are to be referred to a public vote. The fiscal note and fiscal note summary states the measure's estimated costs or savings, if any, to state and local governmental entities.

During 2015, the State Auditor's Office received notification to prepare fiscal notes and fiscal note summaries for 188 initiative petitions or joint resolutions. See page 29 for a complete list of initiative petitions received by the State Auditor's Office in 2015.

Bond Registration

The State Auditor's Office is responsible for reviewing and registering general obligation bonds issued by political subdivisions in Missouri to ensure those bonds comply with both state law and the conditions of the contracts under which the bonds will be issued. See page 22 for a complete list of bonds registered in 2015.

Property Tax Rate Review

State law requires the Missouri State Auditor to annually certify all taxing jurisdictions throughout Missouri as compliant with state law and the tax limitation provisions of Article X, Sections 16 through 24, Constitution of Missouri, commonly known as the Hancock Amendment. The State Auditor's Office property tax rate report states whether a taxing jurisdiction has met its obligation to set an overall tax rate at a level approved by voters and within the limits set by Missouri law.

Audit Highlights

Statewide Single Audit

The Statewide Single Audit is conducted annually, as required by federal law. The audit covered \$11.49 billion in federal awards expended through 313 different federal programs during Fiscal Year 2014. The Statewide Single Audit found the Department of Social Services MO HealthNet Division failed to take appropriate actions to recover funds from estates of thousands of deceased participants of the Medicaid program. As a result, the agency likely forfeited the opportunity to possibly recover millions of dollars in medical expenses paid from state and federal funds.

State Agencies and Offices



The State Auditor conducted various audits of state agencies in 2015, including audits of entire departments, audits of divisions within a department, and audits of specific functions. In addition, the State Auditor regularly conducts audits of the offices of statewide officeholders.

Office of the Governor

Rating: Fair

The audit found the Governor's Office continued to supplement office operations with appropriations of other state agencies. In addition, the audit found the Governor's Office does not consistently evaluate whether commercial flights would be more economical than state planes for out-of-state trips, or procure commercial airfare in accordance with state policy. Governor's Office employees often make lodging reservations without performing price comparisons or other procedures to ensure lodging costs are reasonable. (Report 2015-023)

Missouri Local Government Employees' Retirement System (LAGERS)

Rating: Good

The audit noted the agency does not have a system in place for reporting gifts accepted by board members and employees. Employees periodically receive meals paid by prospective and existing investment managers; however, there is no procedure for tracking or disclosing this information. The board's ethics policy states that board members and employees shall not receive any gift when it could reasonably be perceived that the gift was intended to influence the performance of official duties. The audit recommended the board institute a procedure for gift and paid expenses to be recorded and monitored, in order to assess compliance with this policy. (Report No. 2015-058)

Office of Public Counsel

Rating: Excellent

The audit found the office is well managed and reported no findings. The Office of the Public Counsel is responsible for representing the public before the Missouri Public Service Commission. The audit reviewed compliance with legal provisions, efficiency of management practices and operations, and controls over financial transactions. (Report No. 2015-061)

Department of Revenue Sales and Use Tax Practices

Rating: Good

The audit identified at least \$20 million in cash bonds that should have been refunded to Missouri businesses. Missouri law requires the department release retail sales tax license bonds back to businesses after two years of tax compliance, or when the business closes if no tax balance is owed to the state. However, the department had not made any effort to do so unless a request for refund was made by the business. As of June 2014, the department had recorded nearly \$20 million in cash bonds for closed businesses, dating back several decades. (Report No. 2015-080)

Result: The Department of Revenue has begun returning cash bonds to closed businesses.

Department of Secondary and Elementary Education - Missouri Student Information System Cybersecurity Audit

Rating: Good

A cybersecurity audit of the Missouri Student Information System used by the Department of Elementary and Secondary Education (DESE) found DESE unnecessarily collected and retained personally identifiable information, including social security numbers, from school districts across the state. DESE's system includes records for about 900,000 current Missouri students and an additional 520,000 students that have graduated from Missouri's public and charter K-12 schools since the system was instituted in 2008. The system collects and stores individual student information, including names, addresses, academic records, and social security numbers. (Report No. 2015-093)

Result: The Department of Secondary and Elementary Education agreed to securely remove data not needed for business purposes.

Missouri Gaming Commission

Rating: Excellent

The audit found the commission is well managed and reported no findings. The Missouri Gaming Commission's stated mission is to regulate charitable and commercial gaming in a way that promotes the integrity of the industry and has a positive impact on the state. The Commission is also responsible for transferring certain gaming proceeds to various agencies and funds, as required by state law. (Report No. 2015-094)

Missouri Veterans Commission Capital Improvement Trust Fund

Rating: Excellent

The audit reported no findings. The Veterans Commission Capital Improvement Trust Fund supports the construction, maintenance and equipment needs of veterans' homes and cemeteries in the state. The fund also provides medals and certificates issued to Missouri veterans. (Report No. 2015-101)

Missouri Dental Board (Department of Insurance, Financial Institutions, and Professional Registration)

Rating: Good

The board is responsible for the examination, licensing and regulation of dentists, dental hygienists, and dental specialists. The audit identified issues with how complaints received by the board are addressed, specifically when corrective action is necessary. (Report No. 2015-110)

Board of Therapeutic Massage (Department of Insurance, Financial Institutions, and Professional Registration)

Rating: Good

The audit recommended improving procedures related to training and licensing requirements. The audit found the board lacked proper follow-up procedures to ensure massage therapy businesses were meeting all license requirements to continue operations. Auditors also found the board had not established adequate procedures to protect against data security risks by ensuring only proper personnel had access to computer systems containing confidential licensee information. (Report No. 2015-118)

Missouri Lottery Commission

Rating: Good

The audit found the commission did not have written policies and procedures for investing in sponsorships, and incurred expenses greater than the amount of benefits for some community events, which was also noted in a previous report. Also noted in a previous report, the Lottery continued to enter into long-term contracts and to amend the contracts instead of periodically soliciting competitive bids and proposals. As a result of the long-term contracts, the best providers might not have an opportunity to bid on some services. (Report No. 2015-119)

State Board of Registration for the Healing Arts (Department of Insurance, Financial Institutions, and Professional Registration)

Rating: Good

The audit found the board did not have procedures in place to confirm certification requirements were being maintained, including various continuing

education and training requirements. The audit also found the board had not established adequate procedures to protect against data security risks by ensuring only proper personnel had access to computer systems containing confidential licensee information. (Report No. 2015-124)

Courts



In 2015, the State Auditor's Office conducted audits of various municipal courts and circuit courts throughout the state. The State Auditor has the authority to audit courts as deemed necessary. Municipal courts may be audited in association with a petition audit of that municipality, or separately as part of the Municipal Courts Initiative.

Clinton County Court (43rd Judicial Circuit)

Rating: Fair

The audit identified concerns with the handling of contracts for a third-party vendor to provide misdemeanor probation and pre-trial/bond supervision services. (Report No. 2015-098)

Carl Junction Municipal Court (29th Judicial Circuit)

Rating: Poor

The audit found the former court clerk may have defrauded the court and falsified records. Auditors uncovered at least \$65,373 in missing funds during the audit. The audit was requested by city officials after the municipal court judge found discrepancies in a case file and raised concerns regarding the conduct of the former court clerk. Significant weaknesses in accounting procedures and inadequate oversight of court operations allowed the misconduct to go unnoticed for years. Inadequate record-keeping, files that appeared to be intentionally disorganized, and discrepancies between documents found in the municipal court office and amounts recorded in the court's system lead auditors to believe there was potentially another \$30,000 missing. (Report No. 2015-126)

Result: Felony charges were filed against former Court Clerk Cynthia Troutman.

Foristell Municipal Court (11th Judicial Circuit)

Rating: Good

The audit was conducted as part of the State Auditor's Office Municipal Courts Initiative. The audit found the court assessed two potentially improper fees, but discontinued both fees after auditors raised concerns. The court previously collected warrant fees without statutory authority. The court also assessed fees when defendants failed to appear in court, without filing any additional related charges. The audit also found that the court inaccurately calculated revenue from traffic violations. (Report No. 2015-131)

Joplin Municipal Court (29th Judicial Circuit)

Rating: Poor

The audit was conducted in association with a petition audit of the City of Joplin. The audit highlighted the need for stronger oversight of clerks' actions and increased measures to ensure the security of the court's electronic data. The audit identified 120 users that had improper access to the court's electronic data. Eighty-nine of those users were former employees who no longer worked for the city or the court. The report also found the court failed to comply with state law or Joplin's city code in assessing fees totaling approximately \$145,000. For example, the division assessed a \$25 failure to appear fee without filing charges for a violation. Court officials also failed to review changes made by clerks to the case management system, causing incomplete records and increasing the risk of abuse. (Report No. 2015-135)

Schools



The State Auditor may audit school districts or charter schools as deemed necessary or by petition of citizens.

St. Joseph School District

Rating: Poor

The audit found the district's use of its salary schedules and stipend system resulted in a confusing, inconsistently applied, and poorly documented system of compensation. In 2013, the superintendent approved travel allowances and night duty stipends totaling approximately \$250,000 to 54 employees. Stipend payments totaled \$3.8 million for the 2013-2014 school year. In addition, the district inaccurately reported 2013 and 2014 summer school attendance to the Department of Elementary and Secondary Education, resulting in an overpayment of state aid totaling approximately \$3.5 million. (Report 2015-006)

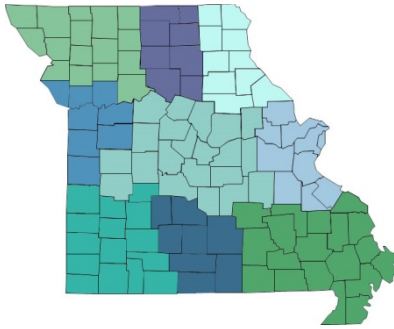
Hope Academy Charter School

Rating: Poor

The audit of this Kansas City-based charter school identified a series of potentially fraudulent and manipulative practices, which led to overpayments of approximately \$4.3 million to the school. The State Auditor's Office was notified by the Missouri Department of Elementary and Secondary Education that Hope Academy's attendance data had been reported at levels above the state average for several years in a row, raising suspicions. When auditors began to investigate, they uncovered a pattern of over-reporting student attendance. The inflated attendance information reported led to the overpayments, which occurred over the school's last two years in operation. The audit also found students were receiving credit for classes they were not participating in, and for unapproved activities outside of the classroom. For example, the school issued classroom credit to students for activities such as grocery shopping, house cleaning and dog walking. These are not approved service learning activities by the state's education department and are therefore invalid toward high school graduation credit. (Report No. 2015-122)

Result: The Missouri Attorney General filed a lawsuit against Hope Academy Charter School to recoup some of the funds inappropriately issued to the school.

Counties



The State Auditor conducts audits of third class counties in Missouri that do not have an auditor. The State Auditor issued the following audit reports related to 25 counties in 2015: Clinton County Collector and Property Tax System, Washington County, Hickory County, Barry County, Butler County Collector and Property Tax System, Knox County Prosecuting Attorney, Schuyler County, Howard County, Adair County, Nodaway County, Ray County, DeKalb County, Carter County Collector and Property Tax System, Grundy County, Monroe County, Holt County, Ralls County, Warren County, Harrison County, Phelps County, Pemiscot County, Butler County, Henry County, Pulaski County, and Cooper County Collector and Property Tax System.

Petition audits

Upon receipt of a petition of registered voters that includes a sufficient number of valid signatures, the State Auditor conducts audits of political subdivisions in Missouri.

City of Joplin

Rating: Poor

The audit found questionable business practices and millions of dollars mismanaged by the city government. After the 2011 tornado, city officials entered into master developer agreements with Wallace Bajjali Development Partners. Key selection and agreement documents appeared to be written to benefit the company, and did not adequately protect the city. This, along with a failure to hold the developer accountable to the terms of the agreement, resulted in nearly \$1.5 million spent by the city with no real estate redevelopment services provided. In addition to a lack of performance, a series of property purchases related to redevelopment plans included questionable involvement by the former mayor, who acted as the broker on properties purchased by a local real estate development company, which were later flipped to the Joplin Redevelopment

Corporation at a higher price. The audit also found violations of the Missouri Sunshine Law. (Report No. 2015-060)

Village of Leasburg

Rating: Poor

The audit identified evidence of possible theft, fraud and cover-up of approximately \$10,000 in missing funds. The report describes altered financial documents and lax oversight by local officials. Auditors found that between 2011 and 2013, receipt slips totaling \$9,971 were issued for money collected by the village; however, these dollars were never deposited into village bank accounts and could not be accounted for. Additionally, it was discovered that nearly 190 various financial records were altered over a 3-day period in February 2014 in an apparent attempt to account for these missing funds. (Report No. 2015-116)

City of Gallatin

Rating: Fair

The audit identified approximately \$859,000 in transfers from utility revenues to the city's general fund. The transfers represented a significant revenue source for the city's general fund. City officials increased sewer and electric rates during the same period but failed to prepare a statement of costs, as required by law, to support the increases. In addition to the transfers, the city allocated 75 percent of the wages of the city administrator, clerk, and deputy clerk, along with other personnel costs and general expenses to the utility departments. Gallatin officials were unable to provide documentation to support the basis for these allocations. (Report No. 2015-128)

Goodman Fire Protection District

Rating: Poor

The audit identified a number of actions taken by two board members that were potential conflicts of interest, and in some cases, may have violated state law. The audit also identified an abuse of the district's debit cards and inappropriate storage of district equipment on the board president's personal property. The audit found the district did not maintain adequate records of land, buildings, vehicles, equipment and other property owned by the district. The audit also showed the district did not solicit bids for nearly \$8,000 in services provided by

Board President/former Board Vice-President Jim Morgan and his company. Morgan did not abstain from voting when the board approved the use of his company, or abstain from voting to approve payments for his work. Questionable timing of payments indicate the district may have attempted to circumvent statutory limits on the dollar amount of financial transactions between the district and elected officials. (Report No. 2015-130)

Result: The McDonald County Prosecuting Attorney filed misdemeanor charges against Board President Jim Morgan.

Compilation and Summary Reports



The State Auditor's Office prepares a number of summary and compilation reports, including information on property tax rates in the state, Criminal Activity Forfeiture Act seizures, and federal forfeiture participation by law enforcement agencies. The office also compiles summary reports of related findings, including the cybersecurity and Sunshine Law summary reports, to assist government entities around

Missouri in improving operations.

Cybersecurity Summary Report

A compilation report of the top five most common data security mistakes made by local governments was issued to provide awareness to local governments and to assist them in preventing these common mistakes in the future. The report examined how well local government agencies and officials comply with many routine data security practices. The summary highlighted the following five common cybersecurity issues: (1) Passwords - employees share computer system passwords, do not have to change their passwords regularly, or, in some cases, do not have passwords, (2) Access - employees have access to more parts of government computer systems than they need to perform their jobs, (3) System locks - systems do not lock access to the computer after a specific amount of time or number of incorrect password attempts, (4) Data backups - data is not backed up on a regular basis in a secure off-site location and there are not regular tests to

make sure the data can be restored in the system, (5) User restrictions and tracking - protections are not in place to prevent inappropriate edits or system changes, and systems may not track who was responsible for the changes. (Report No. 2015-097)

Sunshine Law Summary Report

The five most common Sunshine Law violations found in Missouri government were compiled from audit reports issued between January 2014 and June 2015. The top 5 most common violations were: (1) Closed meeting topics - some issues discussed in closed meetings were not allowed by law, (2) Reasons for closed meetings - the reasons for closing a meeting and related votes were not adequately documented, (3) Meeting minutes - minutes were not prepared for open meetings, (4) Public information policy - policies were not in place to provide the public with access to documents and/or rates charged for providing information were inconsistent, (5) Review of minutes - meeting minutes were not always approved timely. (Report No. 2015-112)

2015 State Auditor's Office Reports

Report	Date Issued	Report Number
Twenty-Ninth Judicial Circuit City of Joplin Municipal Division	12-2015	2015-135
Pulaski County	12-2015	2015-134
Henry County	12-2015	2015-133
Twenty-First Judicial Circuit City of St. Ann Municipal Division	12-2015	2015-132
Eleventh Judicial Circuit City of Foristell Municipal Division	12-2015	2015-131
Goodman Fire Protection District	12-2015	2015-130
Economic Development Public Service Commission	12-2015	2015-129
City of Gallatin	12-2015	2015-128
Review of 2015 Property Tax Rates	12-2015	2015-127
Twenty-Ninth Judicial Circuit City of Carl Junction Municipal Division	12-2015	2015-126
Public Safety Missouri State Highway Patrol's Use of Highway Funds Year Ended June 30, 2015	12-2015	2015-125
Insurance, Financial Institutions, And Professional Registration Division of Professional Registration State Board of Registration for the Healing Arts	12-2015	2015-124
Butler County	12-2015	2015-123
Hope Academy Charter School	12-2015	2015-122
Agriculture Missouri State Fair	12-2015	2015-121
Pemiscot County	12-2015	2015-120
Revenue Missouri State Lottery Commission	12-2015	2015-119
Insurance, Financial Institutions, And Professional Registration Division of Professional Registration Board of Therapeutic Massage	12-2015	2015-118
Phelps County	11-2015	2015-117
Village of Leasburg	11-2015	2015-116
Harrison County	11-2015	2015-115

2015 State Auditor's Office Reports

Report	Date Issued	Report Number
Hannibal School District #60	11-2015	2015-114
Summary of 2015 Follow-Up Reports	11-2015	2015-113
Summary of State and Local Audit Findings - Sunshine Law	11-2015	2015-112
Cooper County Collector and Property Tax System	11-2015	2015-111
Insurance, Financial Institutions, and Professional Registration Missouri Dental Board	11-2015	2015-110
Revenue Warrenton Contract License Office	11-2015	2015-109
Revenue St. Charles Contract License Office	11-2015	2015-108
Revenue Monroe City Contract License Office	11-2015	2015-107
Revenue Kirksville Contract License Office	11-2015	2015-106
Revenue Carthage Contract License Office	11-2015	2015-105
Conservation / Department of Conservation	11-2015	2015-104
Follow Up Report On Audit Findings Butler County Collector and Property Tax System	11-2015	2015-103
Village of Luray	11-2015	2015-102
Missouri Veterans Commission Capital Improvement Trust Fund	11-2015	2015-101
Warren County	11-2015	2015-100
Ralls County	11-2015	2015-099
Forty-Third Judicial Circuit Clinton County	10-2015	2015-098
Summary of Local Government and Court Audit Findings - Information Security Controls	10-2015	2015-097
Holt County	10-2015	2015-096
Fenton Crossing Transportation Development District	10-2015	2015-095
Public Safety Gaming Commission	10-2015	2015-094

2015 State Auditor's Office Reports

Report	Date Issued	Report Number
Elementary and Secondary Education Missouri Student Information System Data Governance	10-2015	2015-093
Economic Development Neighborhood Assistance Program Tax Credit	10-2015	2015-092
Pulaski County Financial Statements	10-2015	2015-091
Follow Up Report on Audit Findings St. Joseph School District	09-2015	2015-090
Follow-Up Report On Audit Findings City of Dixon	09-2015	2015-089
Grundy County Financial Statements	09-2015	2015-088
Marion County Financial Statements	09-2015	2015-087
Madison County Financial Statements	09-2015	2015-086
Harrison County Financial Statements	09-2015	2015-085
Douglas County Financial Statements	09-2015	2015-084
Monroe County	09-2015	2015-083
Monroe County Financial Statements	09-2015	2015-082
DeKalb County Financial Statements	09-2015	2015-081
Revenue Sales and Use Tax	09-2015	2015-080
Grundy County	09-2015	2015-079
Phelps County Financial Statements	09-2015	2015-078
Pemiscot County Financial Statements	09-2015	2015-077
Butler County Financial Statements	09-2015	2015-076
Follow-Up Report On Audit Findings Clinton County Collector and Property Tax System	09-2015	2015-075
Schuyler County Financial Statements	09-2015	2015-074
Ray County Financial Statements	09-2015	2015-073

2015 State Auditor's Office Reports

Report	Date Issued	Report Number
Carter County Collector and Property Tax System	09-2015	2015-072
Ralls County Financial Statements	09-2015	2015-071
Dunklin County Financial Statements	09-2015	2015-070
Follow Up Report On Audit Findings City of Kimmswick	09-2015	2015-069
DeKalb County	09-2015	2015-068
Warren County Financial Statements	08-2015	2015-067
Ozark County Financial Statements	08-2015	2015-066
Follow Up Report on Audit Findings Seventeenth Judicial Circuit Cass County	08-2015	2015-065
Judiciary Supreme Court of Missouri	08-2015	2015-064
Stone County Financial Statements	08-2015	2015-063
1225 Washington Avenue Transportation Development District	08-2015	2015-062
Economic Development Office of the Public Counsel	08-2015	2015-061
City of Joplin	08-2015	2015-060
Nodaway County Financial Statements	08-2015	2015-059
Missouri Local Government Employees' Retirement System	08-2015	2015-058
Follow-Up Report On Audit Findings Joplin Schools	08-2015	2015-057
Follow-Up Report On Audit Findings Early Childhood Development, Education, and Care Fund	08-2015	2015-056
Henry County Financial Statements	08-2015	2015-055
Thirteenth Judicial Circuit Boone County	07-2015	2015-054
Follow Up Report on Audit Findings Thirty Seventh Judicial Circuit West Plains Municipal Division	07-2015	2015-053
Holt County Financial Statements	07-2015	2015-052

2015 State Auditor's Office Reports

Report	Date Issued	Report Number
Ray County	07-2015	2015-051
Howard County Financial Statements	07-2015	2015-050
Office of Administration Division of Purchasing and Materials Management State Agency for Surplus Property	07-2015	2015-049
City of Kimberling City	07-2015	2015-048
Nodaway County	07-2015	2015-047
Follow Up Report on Audit Findings Taney County	07-2015	2015-046
Administration Children's Trust Fund Board	07-2015	2015-045
2nd Judicial Circuit- Adair County	06-2015	2015-044
Adair County	06-2015	2015-043
Follow Up Report on Audit Findings Village of Country Club	06-2015	2015-042
Follow Up Report on Audit Findings Webster County	06-2015	2015-041
Follow Up Report on Audit Findings Lewis County Collector	06-2015	2015-040
Follow Up Report on Audit Findings Lewis County	06-2015	2015-039
Howard County	06-2015	2015-038
Schuyler County	06-2015	2015-037
Follow Up Report on Audit Findings City of Leeton	06-2015	2015-036
Follow Up Report on Audit Findings Miller County	06-2015	2015-035
Follow Up Report on Audit Findings Osage County	06-2015	2015-034
Compilation of 2014 Federal Forfeiture Reports	06-2015	2015-033
Follow-Up Report on Audit Findings Grandview C-4 School District	05-2015	2015-032
Follow-Up Report On Audit Findings Thirty-Third Judicial Circuit City of Miner Municipal Division	05-2015	2015-031

2015 State Auditor's Office Reports

Report	Date Issued	Report Number
City of Bunceton	05-2015	2015-030
Sixteenth Judicial Circuit Jackson County	05-2015	2015-029
Knox County Prosecuting Attorney	05-2015	2015-028
Follow-Up Report on Audit Findings Texas County	05-2015	2015-027
2014 Annual Report Office of The Missouri State Auditor	04-2015	2015-026
Butler County Collector and Property Tax System	04-2015	2015-025
Barry County	04-2015	2015-024
Office of Governor	04-2015	2015-023
Administration Review of Article X, Sections 16 Through 24, Constitution of Missouri Year Ended June 30, 2014	04-2015	2015-022
Hickory County	04-2015	2015-021
Follow-Up Report on Audit Findings City of Pevely	04-2015	2015-020
Highway Patrol Criminal Justice Information Security Management	04-2015	2015-019
State Distribution of Excess Revenues	04-2015	2015-018
Twenty-Fifth Judicial Circuit City of Dixon Municipal Division	04-2015	2015-017
Office of State Treasurer	04-2015	2015-016
Department of Transportation	04-2015	2015-015
State of Missouri Single Audit Year Ended June 30, 2014	03-2015	2015-014
Office of Attorney General	03-2015	2015-013
Joplin Schools	02-2015	2015-012
Compilation of 2014 Criminal Activity Forfeiture Act Seizures	02-2015	2015-011
Department of Corrections	02-2015	2015-010

2015 State Auditor's Office Reports

Report	Date Issued	Report Number
Clinton County Collector and Property Tax System	02-2015	2015-009
Washington County	04-2015	2015-008
City of Dixon	02-2015	2015-007
St. Joseph School District	02-2015	2015-006
Early Childhood Development, Education, and Care Fund	02-2015	2015-005
2014 Property Tax Rates	01-2015	2015-004
Statewide State Flight Operations	01-2015	2015-003
Jefferson College	01-2015	2015-002
Comprehensive Annual Financial Report / Year Ended June 30, 2014	01-2015	2015-001

Bonds Registered

Date of Registration	Bonds Issued By	Amount of Issue
12-24-2015	Boonville R-II School District	\$3,960,000.00
12-24-2015	Grain Valley R-V School District	\$4,300,000.00
12-24-2015	City of Bethany	\$2,000,000.00
12-21-2015	Lockwood R-I School District	\$1,225,000.00
12-21-2015	St. Charles County Ambulance District	\$1,520,000.00
12-21-2015	Winfield R-IV School District	\$2,820,000.00
12-15-2015	Marionville R-IX School District	\$3,590,000.00
12-14-2015	City of Lake Tapawingo	\$2,600,000.00
12-14-2015	City of East Lynne	\$250,000.00
12-09-2015	Ritenour School District	\$3,360,000.00
12-09-2015	Schuyler County R-I School District	\$970,000.00
12-08-2015	City of Pleasant Hill	\$6,455,000.00
12-07-2015	Newburg R-II School District	\$580,000.00
12-07-2015	Hallsville R-IV School District	\$2,650,000.00
12-02-2015	Smithville Area Fire Protection District	\$4,455,000.00
11-30-2015	City of St. Charles, Neighborhood Improvement District	\$3,905,000.00
11-17-2015	City of St. Charles, Neighborhood Improvement District	\$3,530,000.00
11-17-2015	City of St. Charles, Neighborhood Improvement District	\$8,905,000.00
11-17-2015	City of St. Charles, Neighborhood Improvement District	\$6,350,000.00
11-17-2015	Wheaton R-III School District	\$935,000.00
10-28-2015	Wentzville Fire Protection District	\$5,000,000.00
10-28-2015	Meadow Heights R-II School District	\$925,000.00
10-21-2015	Kingston K-14 School District	\$3,300,000.00
10-14-2015	Ozark Reorganized School District No. 6	\$26,245,000.00
10-01-2015	Branson Reorganized School District No. 4	\$2,985,000.00
09-29-2015	Wright City R-II School District	\$9,970,000.00

Bonds Registered

Date of Registration	Bonds Issued By	Amount of Issue
09-29-2015	Midway R-I School District	\$545,000.00
09-25-2015	Smithville R-II School District	\$7,825,000.00
09-24-2015	Rolla School District No. 31	\$4,000,000.00
09-23-2015	Park Hill School District	\$20,110,000.00
09-23-2015	Lindbergh Schools	\$9,865,000.00
09-22-2015	Pike County R-III School District	\$3,950,000.00
09-22-2015	Reorganized School District No. R-II	\$18,375,000.00
09-22-2015	City of Hamilton	\$500,000.00
09-16-2015	New Madrid County R-I School District	\$5,410,000.00
09-15-2015	Puxico R-VIII School District	\$1,595,000.00
09-01-2015	City of Hazelwood	\$3,945,000.00
08-28-2015	Lonedell R-XIV School District	\$630,000.00
08-28-2015	Clever R-V School District	\$3,570,000.00
08-26-2015	Lincoln County R-III School District	\$6,920,000.00
08-26-2015	City of Liberty	\$12,985,000.00
08-19-2015	Hughes Township of Nodaway County	\$130,000.00
08-19-2015	Green Township of Nodaway County	\$190,000.00
08-19-2015	Boonville R-I School District	\$6,870,000.00
08-18-2015	East Prairie R-II School District	\$385,000.00
08-17-2015	The Junior College District of East Central Missouri	\$7,495,000.00
08-17-2015	City of Woodson Terrace	\$1,500,000.00
08-10-2015	City of Berkeley	\$3,000,000.00
08-07-2015	Central County Fire & Rescue	\$9,645,000.00
08-04-2015	Wentzville R-IV School District	\$8,465,000.00
07-21-2015	Billings R-IV School District	\$820,000.00
07-21-2015	Holden R-III School District	\$1,850,000.00

Bonds Registered

Date of Registration	Bonds Issued By	Amount of Issue
07-21-2015	Advance R-IV School District	\$1,850,000.00
07-21-2015	New Bloomfield R-III School District	\$2,000,000.00
07-16-2015	Lincoln County	\$2,825,000.00
07-15-2015	Louisiana R-II School District	\$1,650,000.00
07-15-2015	Monarch-Chesterfield Levee District	\$26,375,000.00
07-15-2015	Hancock Place School District	\$3,000,000.00
07-13-2015	Sturgeon R-V School District	\$2,000,000.00
07-13-2015	Gasconade County R-II School District	\$9,495,000.00
07-09-2015	Bakersfield R-IV School District	\$1,900,000.00
07-09-2015	Norborne R-VIII School District	\$2,000,000.00
07-09-2015	City of Lake Winnebago	\$290,000.00
07-09-2015	Polo R-VII School District	\$600,000.00
07-09-2015	Jefferson County R-VII School District	\$6,290,000.00
07-07-2015	Northeast Nodaway County R-V School District	\$416,000.00
07-07-2015	Fordland R-III School District	\$3,800,000.00
07-07-2015	Reorganized School District No. 7	\$12,000,000.00
07-01-2015	Warrensburg R-VI School District	\$12,500,000.00
07-01-2015	Boone County Fire Protection District	\$7,000,000.00
06-30-2015	Western Lewis County Fire Protection District	\$188,000.00
06-30-2015	School District of Maplewood Richmond Heights	\$6,100,000.00
06-24-2015	Neosho R-V School District	\$10,000,000.00
06-24-2015	Seneca R-VII School District	\$4,500,000.00
06-24-2015	Bolivar R-I School District	\$6,800,000.00
06-23-2015	Ferguson Reorganized School District R-2	\$8,770,000.00
06-18-2015	City of Union Star	\$150,000.00
06-16-2015	Cass County	\$3,051,000.00

Bonds Registered

Date of Registration	Bonds Issued By	Amount of Issue
06-16-2015	Howard County Fire Protection District	\$1,200,000.00
06-15-2015	Maryville R-II School District	\$5,250,000.00
06-15-2015	Portageville School District	\$1,050,000.00
06-15-2015	Portageville School District	\$750,000.00
06-15-2015	Grandview R-II School District	\$1,750,000.00
06-15-2015	City of St. Charles, Neighborhood Improvement District	\$4,620,000.00
06-12-2015	Rockwood R-6 School District	\$35,000,000.00
06-12-2015	Malden R-I School District	\$1,030,000.00
06-12-2015	West Nodaway County R-I School District	\$1,200,000.00
06-12-2015	Galena R-II School District	\$1,250,000.00
06-09-2015	Lathrop R-II School District	\$2,700,000.00
06-09-2015	Van Far R-I School District	\$2,161,000.00
06-05-2015	Hollister Reorganized School District No. R-5	\$4,200,000.00
06-03-2015	Mid-Buchanan County R-V School District	\$3,730,000.00
06-03-2015	Macks Creek R-V School District	\$2,200,000.00
06-03-2015	Sullivan Fire Protection District	\$3,745,000.00
06-02-2015	Consolidated School District No. 4	\$4,000,000.00
06-02-2015	Consolidated School District No. 4	\$3,295,000.00
06-01-2015	Desoto School District #73	\$903,138.00
06-01-2015	DeSoto School District #73	\$8,596,862.00
06-01-2015	Cape Girardeau School District No. 63	\$9,640,757.90
05-29-2015	Camdenton Reorganized School District No. R-3	\$19,295,000.00
05-29-2015	Brookfield R-III School District	\$1,750,000.00
05-27-2015	Rich Hill R-IV School District	\$2,070,000.00
05-27-2015	Clearwater R-I School District	\$1,300,000.00
05-20-2015	Leeton R-X School District	\$1,145,000.00

Bonds Registered

Date of Registration	Bonds Issued By	Amount of Issue
05-20-2015	Lakeside 370 Levee District - Subdistrict B	\$19,488,000.00
05-20-2015	Lakeside 370 Levee District - Subdistrict A	\$14,112,000.00
05-19-2015	Jefferson County R-VII School District	\$6,210,000.00
05-18-2015	Ste. Genevieve County R-II School District	\$4,200,000.00
05-18-2015	North Kansas City School District 74	\$28,310,000.00
05-14-2015	Greene County Reorganized School District No. 3 (Republic)	\$9,340,000.00
05-14-2015	Tipton R-VI School District	\$1,800,000.00
05-13-2015	Lone Jack C-6 School District	\$2,690,000.00
05-13-2015	Advance R-IV School District	\$1,180,000.00
05-11-2015	Meadville R-IV School District	\$650,000.00
05-11-2015	Prairie Home R-V School District	\$600,000.00
05-11-2015	Maryland Heights Fire Protection District	\$8,000,000.00
05-11-2015	City of Northwoods	\$2,839,995.05
05-11-2015	Everton R-III School District	\$855,000.00
05-05-2015	City of St. Peters	\$7,050,000.00
04-29-2015	Pierce City R-VI School District	\$3,100,000.00
04-22-2015	The School District of Columbia	\$71,485,000.00
04-14-2015	Dunklin R-V School District	\$9,249,543.60
04-14-2015	Greene County Reorganized School District No. 3 (Republic)	\$6,935,000.00
04-10-2015	City of Peculiar	\$6,959,996.30
04-07-2015	Dexter R-XI School District	\$5,225,000.00
04-02-2015	Orchard Farm R-V School District	\$6,200,000.00
04-02-2015	Johnson County Fire Protection District	\$3,225,000.00
04-02-2015	Lincoln R-II School District	\$1,925,000.00
03-31-2015	Moniteau County R-I School District	\$2,280,000.00
03-31-2015	Lebanon R-III School District	\$10,000,000.00

Bonds Registered

Date of Registration	Bonds Issued By	Amount of Issue
03-25-2015	Portageville School District	\$1,794,997.75
03-25-2015	Moberly School District No. 81	\$10,000,000.00
03-25-2015	Stockton R-I School District	\$6,315,000.00
03-25-2015	Warren County R-III School District	\$10,000,000.00
03-24-2015	Parkway C-2 School District	\$50,000,000.00
03-23-2015	Nixa Fire Protection District	\$2,575,000.00
03-18-2015	Windsor C-1 School District	\$9,650,000.00
03-11-2015	Caruthersville School District No. 18	\$2,350,000.00
03-11-2015	City of Maplewood	\$6,000,000.00
03-10-2015	Reorganized School District R-1	\$6,720,000.00
03-09-2015	Centralia R-VI School District	\$7,995,000.00
03-09-2015	Gasconade County R-I School District	\$2,260,000.00
03-05-2015	North Callaway County R-I School District	\$6,000,000.00
03-05-2015	Northeast Ambulance and Fire Protection District	\$9,000,000.00
03-04-2015	Schuyler County R-I School District	\$3,000,000.00
03-04-2015	Parkway C-2 School District	\$27,080,000.00
03-04-2015	Orrick R-XI School District	\$1,960,000.00
03-02-2015	City of Burlington Junction	\$244,999.80
02-26-2015	Reorganized School District No. 7	\$71,780,000.00
02-26-2015	Hannibal 60 School District	\$8,855,000.00
02-26-2015	Excelsior Springs 40 School District	\$3,065,000.00
02-26-2015	Fort Osage R-I School District	\$4,285,000.00
02-26-2015	Bismarck R-V School District	\$1,600,000.00
02-26-2015	Reorganized School District No. 2 (Willard)	\$9,045,000.00
02-26-2015	Reorganized School District No. 2 (Willard)	\$3,525,000.00
02-25-2015	Potosi R-III School District	\$3,975,000.00

Bonds Registered

Date of Registration	Bonds Issued By	Amount of Issue
02-25-2015	Oran R-III School District	\$1,275,000.00
02-25-2015	Central R-III School District	\$1,890,000.00
02-25-2015	Pleasant Hill R-III School District	\$2,800,000.00
02-25-2015	City of Weatherby Lake	\$1,090,000.00
02-25-2015	Liberty Public School District No. 53	\$8,940,000.00
02-25-2015	Henry County R-I School District	\$900,000.00
02-25-2015	School District of University City	\$6,400,000.00
02-25-2015	The School District of Springfield R-XII	\$21,905,000.00
02-23-2015	Windsor C-1 School District	\$9,510,000.00
02-23-2015	Western Cass Fire Protection District	\$850,000.00
02-17-2015	City of Kearney	\$9,290,000.00
02-17-2015	Ste. Genevieve County R-II School District	\$2,025,000.00
02-17-2015	West County EMS and Fire Protection District	\$1,830,000.00
02-17-2015	Forsyth R-III School District	\$1,195,000.00
02-13-2015	School District of University City	\$2,480,000.00
02-13-2015	Warsaw R-IX School District	\$7,000,000.00
02-10-2015	Boles Fire Protection District	\$4,095,000.00
02-09-2015	Lincoln County R-III School District	\$5,060,000.00
02-04-2015	Sturgeon R-V School District	\$2,965,000.00
02-04-2015	Farmington R-7 School District	\$10,000,000.00
02-04-2015	Orrick R-XI School District	\$1,300,000.00
02-03-2015	City of St. Charles	\$3,725,000.00
02-02-2015	Scott City R-I School District	\$1,750,000.00
01-21-2015	Rock Port R-II School District	\$1,510,000.00
01-07-2015	Union R-XI School District	\$5,475,000.00
01-06-2015	City of Chesterfield	\$7,340,000.00
01-06-2015	Hickman Mills C-1 School District	\$3,440,000.00

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-201	12/23/2015	Proposal Related to Chapter 386, RSMo, version 36 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-200	12/23/2015	Proposal Related to Chapter 386, RSMo, version 35 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-199	12/23/2015	Proposal Related to Chapter 386, RSMo, version 34 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-198	12/23/2015	Proposal Related to Chapter 386, RSMo, version 33 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-197	12/23/2015	Proposal Related to Chapter 386, RSMo, version 32 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-196	12/23/2015	Proposal Related to Chapter 386, RSMo, version 31 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-195	12/23/2015	Proposal Related to Chapter 386, RSMo, version 30 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-194	12/23/2015	Proposal Related to Chapter 386, RSMo, version 29 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-193	12/23/2015	Proposal Related to Chapter 386, RSMo, version 28 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-192	12/23/2015	Proposal Related to Chapters 196 and 210, RSMo, version 3 (Ketcher) - Tobacco Tax	01/22/2016
16-191	12/23/2015	Proposal Related to Chapters 196 and 210, RSMo, version 2 (Ketcher) - Tobacco Tax	01/22/2016
16-190	12/18/2015	Proposal Related to Chapter 386, RSMo, version 18 (Zellers) - The Clean Energy Independence and Investment Act	01/20/2016
16-189	12/18/2015	Proposal Related to Chapter 386, RSMo, version 9 (Linhares) - Missouri Solar Energy Tax Credit	01/20/2016
16-188	12/18/2015	Proposal Related to Chapter 386, RSMo, version 8 (Linhares) - Missouri Solar Energy Tax Credit	01/20/2016
16-187	12/18/2015	Proposal Related to Chapter 386, RSMo, version 7 (Linhares) - Missouri Solar Energy Tax Credit	01/20/2016
16-186	12/18/2015	Proposal Related to Chapter 386, RSMo, version 6 (Linhares) - Missouri Solar Energy Tax Credit	01/20/2016

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-185	12/18/2015	Proposal Related to Chapter 386, RSMo, version 5 (Linhares) - Missouri Solar Energy Tax Credit	01/20/2016
16-184	12/18/2015	Proposal Related to Chapter 386, RSMo, version 4 (Linhares) - Missouri Solar Energy Tax Credit	Rejected by Secretary of State
16-183	12/18/2015	Proposal Related to Chapter 386, RSMo, version 3 (Linhares) - Missouri Solar Energy Tax Credit	01/20/2016
16-182	12/18/2015	Proposal Related to Chapter 386, RSMo, version 2 (Linhares) - Missouri Solar Energy Tax Credit	01/20/2016
16-181	12/18/2015	Proposal Related to Chapter 386, RSMo, version 1 (Linhares) - Missouri Solar Energy Tax Credit	01/20/2016
16-180	12/17/2015	Proposal Related to Chapter 386, RSMo, version 17 (Zellers) - The Clean Energy Independence and Investment Act	01/20/2016
16-179	12/17/2015	Proposal Related to Chapter 386, RSMo, version 16 (Zellers) - The Clean Energy Independence and Investment Act	01/20/2016
16-178	12/17/2015	Proposal Related to Chapter 386, RSMo, version 15 (Zellers) - The Clean Energy Independence and Investment Act	01/20/2016
16-177	12/17/2015	Proposal Related to Chapter 386, RSMo, version 14 (Zellers) - The Clean Energy Independence and Investment Act	01/20/2016
16-176	12/17/2015	Proposal Related to Chapter 386, RSMo, version 13 (Zellers) - The Clean Energy Independence and Investment Act	01/20/2016
16-175	12/17/2015	Proposal Related to Chapter 386, RSMo, version 12 (Zellers) - The Clean Energy Independence and Investment Act	01/20/2016
16-174	12/17/2015	Proposal Related to Chapter 386, RSMo, version 11 (Zellers) - The Clean Energy Independence and Investment Act	01/20/2016
16-173	12/17/2015	Proposal Related to Chapter 386, RSMo, version 10 (Zellers) - The Clean Energy Independence and Investment Act	01/20/2016
16-172	12/14/2015	Proposal Related to Chapter 386, RSMo, version 9 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-171	12/14/2015	Proposal Related to Chapter 386, RSMo, version 8 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-170	12/14/2015	Proposal Related to Chapter 386, RSMo, version 7 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-169	12/14/2015	Proposal Related to Chapter 386, RSMo, version 6 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-168	12/14/2015	Proposal Related to Chapter 386, RSMo, version 5 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-167	12/14/2015	Proposal Related to Chapter 386, RSMo, version 4 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-166	12/14/2015	Proposal Related to Chapter 386, RSMo, version 3 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-165	12/14/2015	Proposal Related to Chapter 386, RSMo, version 2 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-164	12/14/2015	Proposal Related to Chapter 386, RSMo, version 1 (Zellers) - The Clean Energy Independence and Investment Act	Withdrawn by Petitioner
16-163	12/14/2015	Proposed Constitutional Amendment - Article XIV, version 40 (Ketcher) - Changes Impacting Elected Officials	01/15/2016
16-162	12/14/2015	Proposed Constitutional Amendment - Article XIV, version 39 (Ketcher) - Changes Impacting Elected Officials	01/15/2016
16-161	12/14/2015	Proposed Constitutional Amendment - Article XIV, version 38 (Ketcher) - Changes Impacting Elected Officials	01/15/2016
16-160	12/14/2015	Proposed Constitutional Amendment - Article XIV, version 37 (Ketcher) - Changes Impacting Elected Officials	01/15/2016
16-159	12/07/2015	Proposal Related to Chapter 128, RSMo (Apple) - Congressional Elections	01/07/2016
16-158	12/04/2015	Proposed Constitutional Amendment - Article III, version 36 (Ketcher) - Changes Impacting the General Assembly	01/05/2016
16-157	12/04/2015	Proposed Constitutional Amendment - Article III, version 35 (Ketcher) - Changes Impacting the General Assembly	01/05/2016
16-156	12/04/2015	Proposed Constitutional Amendment - Article III, version 34 (Ketcher) - Changes Impacting the General Assembly	01/05/2016
16-155	12/04/2015	Proposed Constitutional Amendment - Article III, version 33 (Ketcher) - Changes Impacting the General Assembly	01/05/2016
16-154	12/02/2015	Proposal Related to Chapter 128, RSMo (Apple) - Congressional Elections	01/05/2016

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-153	11/25/2015	Proposal Related to Chapters 196 and 210, RSMo (Ketcher) - Tobacco Tax	Withdrawn by Petitioner
16-152	11/23/2015	Proposed Constitutional Amendment - Article IV (Greim) - Tobacco Tax	12/24/2015
16-151	11/20/2015	Proposal Related to Chapter 178, RSMo (Brown) - Public Comment at Board Meetings	Rejected by Secretary of State
16-150	11/19/2015	Proposed Constitutional Amendment - Article I (Pannett) - Refugees from Syria	Rejected by Secretary of State
16-149	11/09/2015	Proposed Constitutional Amendment - Article XIV, version 32 (Ketcher) - Changes Impacting Elected Officials	12/10/2015
16-148	11/09/2015	Proposed Constitutional Amendment - Article VII, version 31 (Ketcher) - Changes Impacting Elected Officials	12/10/2015
16-147	11/09/2015	Proposed Constitutional Amendment - Article VII, version 30 (Ketcher) - Changes Impacting Elected Officials	12/10/2015
16-146	11/09/2015	Proposed Constitutional Amendment - Article VII, version 29 (Ketcher) - Changes Impacting Elected Officials	12/10/2015
16-145	11/09/2015	Proposed Constitutional Amendment - Article VII, version 28 (Ketcher) - Changes Impacting Elected Officials	12/10/2015
16-144	11/05/2015	Proposed Constitutional Amendment - Article III, version 27 (Ketcher) - Changes Impacting the General Assembly	12/08/2015
16-143	11/05/2015	Proposed Constitutional Amendment - Article III, version 26 (Ketcher) - Changes Impacting the General Assembly	12/08/2015
16-142	11/05/2015	Proposed Constitutional Amendment - Article III, version 25 (Ketcher) - Changes Impacting the General Assembly	12/08/2015
16-141	11/05/2015	Proposed Constitutional Amendment - Article XIV, version 24 (Ketcher) - Changes Impacting Elected Officials	12/08/2015
16-140	11/05/2015	Proposed Constitutional Amendment - Article XIV, version 23 (Ketcher) - Changes Impacting Elected Officials	12/08/2015
16-139	11/05/2015	Proposed Constitutional Amendment - Article XIV, version 22 (Ketcher) - Changes Impacting Elected Officials	12/08/2015

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-138	11/05/2015	Proposed Constitutional Amendment - Article III, version 21 (Ketcher) - Changes Impacting the General Assembly	12/08/2015
16-137	11/05/2015	Proposed Constitutional Amendment - Article III, version 20 (Ketcher) - Changes Impacting the General Assembly	12/08/2015
16-136	11/05/2015	Proposed Constitutional Amendment - Article III, version 19 (Ketcher) - Changes Impacting the General Assembly	12/08/2015
16-135	11/05/2015	Proposed Constitutional Amendment - Article XVI, version 2 (Dundon) - Medical Marijuana	12/08/2015
16-134	11/05/2015	Proposed Constitutional Amendment - Article I, version 1 (Dundon) - Medical Marijuana	12/08/2015
16-133	11/03/2015	Proposed Constitutional Amendment - Article III, version 18 (Ketcher) - Changes Impacting the General Assembly	Withdrawn by Petitioner
16-132	11/03/2015	Proposed Constitutional Amendment - Article III, version 17 (Ketcher) - Changes Impacting the General Assembly	Withdrawn by Petitioner
16-131	11/03/2015	Proposed Constitutional Amendment - Article III, version 16 (Ketcher) - Changes Impacting the General Assembly	Withdrawn by Petitioner
16-130	10/28/2015	Proposed Constitutional Amendment - Article XVI, version 2 (Dundon) - Medical Marijuana	Withdrawn by Petitioner
16-129	10/28/2015	Proposed Constitutional Amendment - Article I, version 1 (Dundon) - Medical Marijuana	Withdrawn by Petitioner
16-128	10/20/2015	Proposed Constitutional Amendment - Article XV (Bradshaw) - Medical Marijuana	11/19/2015
16-127	10/09/2015	Proposed Constitutional Amendment - Article III (Dueker) - House of Representatives	11/10/2015
16-126	10/09/2015	Proposed Constitutional Amendment - Article III (Lamping) - House of Representatives	11/10/2015
16-125	10/08/2015	Proposed Constitutional Amendment - Article XVI, version 2 (Dundon) - Medical Marijuana	Withdrawn by Petitioner
16-124	10/08/2015	Proposed Constitutional Amendment - Article I, version 1 (Dundon) - Medical Marijuana	Withdrawn by Petitioner
16-123	09/30/2015	Proposed Constitutional Amendment - Article III (Dueker) - House of Representatives	Withdrawn by Petitioner

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-122	09/30/2015	Proposed Constitutional Amendment - Article III (Lamping) - House of Representatives	Withdrawn by Petitioner
16-121	09/28/2015	Proposal Related to Chapter 178, RSMo (Brown) - St. Louis City and County Police Department to Contract Campus Police Services	Rejected by Secretary of State
16-120	09/23/2015	Proposed Constitutional Amendment - Article I, version 2 (Reed) - Missouri Career Centers	10/23/2015
16-119	09/23/2015	Proposed Constitutional Amendment - Article I, version 1 (Reed) - Missouri Career Centers	10/23/2015
16-118	09/17/2015	Proposed Constitutional Amendment - Article VII, version 15 (Ketcher) - Changes Impacting Elected Officials	10/20/2015
16-117	09/17/2015	Proposed Constitutional Amendment - Article VII, version 14 (Ketcher) - Changes Impacting Elected Officials	10/20/2015
16-116	09/17/2015	Proposed Constitutional Amendment - Article VII, version 13 (Ketcher) - Changes Impacting Elected Officials	10/20/2015
16-115	09/17/2015	Proposal Related to Chapters 210, 196, and 149, RSMo, version 17 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-114	09/17/2015	Proposal Related to Chapters 210, 196, and 149, RSMo, version 16 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-113	09/17/2015	Proposal Related to Chapters 210 and 149, RSMo, version 15 (Greim) - Tobacco Tax	10/20/2015
16-112	09/17/2015	Proposal Related to Chapters 210, 196, and 149, RSMo, version 14 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-111	09/17/2015	Proposal Related to Chapters 210, 196, and 149, RSMo, version 13 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-110	09/17/2015	Proposal Related to Chapters 210, 196, and 149, RSMo, version 12 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-109	09/17/2015	Proposal Related to Chapters 210, 196, and 149, RSMo, version 11 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-108	09/17/2015	Proposal Related to Chapters 210, 196, and 149, RSMO, version 10 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-107	09/17/2015	Proposal Related to Chapters 210, 196, and 149, RSMo, version 9 (Greim) - Tobacco Tax	Withdrawn by Petitioner

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-106	09/17/2015	Proposal Related to Chapters 210, 196, and 149, RSMo, version 8 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-105	09/17/2015	Proposal Related to Chapters 210, 196, and 149, RSMo, version 7 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-104	09/10/2015	Proposed Constitutional Amendment - Article XIV, version 12 (Ketcher) - Changes Impacting Elected Officials	10/14/2015
16-103	09/10/2015	Proposed Constitutional Amendment - Article XIV, version 11 (Ketcher) - Changes Impacting Elected Officials	10/14/2015
16-102	09/10/2015	Proposed Constitutional Amendment - Article XIV, version 10 (Ketcher) - Changes Impacting Elected Officials	10/14/2015
16-101	09/10/2015	Proposed Constitutional Amendment - Article III, version 9 (Ketcher) - Changes Impacting the General Assembly	10/14/2015
16-100	09/10/2015	Proposed Constitutional Amendment - Article III, version 8 (Ketcher) - Changes Impacting the General Assembly	10/14/2015
16-099	09/10/2015	Proposed Constitutional Amendment - Article III, version 7 (Ketcher) - Changes Impacting the General Assembly	10/14/2015
16-098	09/10/2015	Proposed Constitutional Amendment - Article III, version 6 (Ketcher) - Changes Impacting the General Assembly	10/14/2015
16-097	09/10/2015	Proposed Constitutional Amendment - Article III, version 5 (Ketcher) - Changes Impacting the General Assembly	10/14/2015
16-096	09/10/2015	Proposed Constitutional Amendment - Article III, version 4 (Ketcher) - Changes Impacting the General Assembly	10/14/2015
16-095	09/10/2015	Proposed Constitutional Amendment - Article III, version 3 (Ketcher) - Changes Impacting the General Assembly	10/14/2015
16-094	09/10/2015	Proposed Constitutional Amendment - Article III, version 2 (Ketcher) - Changes Impacting the General Assembly	10/14/2015
16-093	09/10/2015	Proposed Constitutional Amendment - Article III, version 1 (Ketcher) - Changes Impacting the General Assembly	10/14/2015
16-092	09/10/2015	Proposal Related to Chapters 286 & 143, RSMo (Apple) - The Climate Crisis Response	10/14/2015
16-091	09/04/2015	Proposal Related to Chapter 192, RSMo (Apple) - The Missouri Health Insurance Cooperative	10/05/2015

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-090	09/04/2015	Proposal Related to Chapters 286 and 143, RSMo (Apple) - Public Sector Employment	Withdrawn by Petitioner
16-089	09/04/2015	Proposed Constitutional Amendment - Article I (Reed) - Missouri Career Centers	Rejected by Secretary of State
16-088	09/02/2015	Proposal Related to Chapter 393, RSMo (Grimes) - Electric Suppliers	10/02/2015
16-087	08/26/2015	Proposal Related to Chapter 393, RSMo (Grimes) - Electric Suppliers	Withdrawn by Petitioner
16-086	08/19/2015	Proposal Related to Chapters 149, 196, and 210, RSMo, version 6 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-085	08/19/2015	Proposal Related to Chapters 149 and 210, RSMo, version 5 (Greim) - Tobacco Tax	09/21/2015
16-084	08/19/2015	Proposal Related to Chapters 149, 196, and 210, RSMo, version 4 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-083	08/19/2015	Proposal Related to Chapters 149 and 210, RSMo, version 3 (Greim) - Tobacco Tax	09/21/2015
16-082	08/19/2015	Proposal Related to Chapters 149, 196, and 210, RSMo, version 2 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-081	08/19/2015	Proposal Related to Chapters 149 and 210, RSMo, version 1 (Greim) - Tobacco Tax	09/21/2015
16-080	08/17/2015	Proposal Related to Chapter 149, RSMo, version 2 (Hatfield) - Tobacco Tax	09/21/2015
16-079	08/17/2015	Proposal Related to Chapter 149, RSMo, version 1 (Hatfield) - Tobacco Tax	09/21/2015
16-078	08/10/2015	Proposal Related to Chapters 149, 196, and 210, RSMo, version 6 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-077	08/10/2015	Proposal Related to Chapters 149 and 210, RSMo, version 5 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-076	08/10/2015	Proposal Related to Chapters 149, 196, and 210, RSMo, version 4 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-075	08/10/2015	Proposal Related to Chapters 149 and 210, RSMo, version 3 (Greim) - Tobacco Tax	Withdrawn by Petitioner

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-074	08/10/2015	Proposal Related to Chapters 149, 196, and 210, RSMo, version 2 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-073	08/10/2015	Proposal Related to Chapters 149 and 210, RSMo, version 1 (Greim) - Tobacco Tax	Withdrawn by Petitioner
16-072	07/22/2015	Proposal Related to Chapter 290, RSMo, version 10 (Granich) - Minimum Wage	08/24/2015
16-071	07/22/2015	Proposal Related to Chapter 290, RSMo, version 9 (Granich) - Minimum Wage	08/24/2015
16-070	07/22/2015	Proposal Related to Chapter 290, RSMo, version 8 (Granich) - Minimum Wage	08/24/2015
16-069	07/22/2015	Proposal Related to Chapter 290, RSMo, version 7 (Granich) - Minimum Wage	08/24/2015
16-068	07/22/2015	Proposal Related to Chapter 290, RSMo, version 6 (Granich) - Minimum Wage	08/24/2015
16-067	07/22/2015	Proposal Related to Chapter 290, RSMo, version 5 (Granich) - Minimum Wage	08/24/2015
16-066	07/22/2015	Proposal Related to Chapter 290, RSMo, version 4 (Granich) - Minimum Wage	08/24/2015
16-065	06/03/2015	Proposed Constitutional Amendment - Article III (Apple) - House of Representatives	07/06/2015
16-064	05/21/2015	Proposed Constitutional Amendment - Article VIII (Ashcroft) - Voter Identification	06/23/2015
16-063	05/18/2015	Proposal Related to Chapter 192, RSMo (Apple) - The Missouri Health Insurance Cooperative	Withdrawn by Petitioner
16-062	05/18/2015	Proposal Related to Chapters 286 and 143, RSMo (Apple) - Public Sector Employment	Withdrawn by Petitioner
16-061	05/18/2015	Proposal Related to Chapters 130 and 143, RSMo (Apple) - Public Financing for Elections	06/18/2015
16-060	05/13/2015	Proposed Constitutional Amendment - Article X, version E (Hatfield) - Limitation on Imposing Any Sales and Use Tax	06/15/2015
16-059	05/13/2015	Proposed Constitutional Amendment - Article X, version D (Hatfield) - Limitation on Imposing Any New Tax	06/15/2015

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-058	05/13/2015	Proposed Constitutional Amendment - Article X, version C (Hatfield) - Limitation on Imposing Any Sales or Use Tax	06/15/2015
16-057	05/12/2015	Proposed Constitutional Amendment - Article III (Wilson) - Reducing the Age Eligibility for Legislative Members	06/11/2015
16-056	05/12/2015	Proposal Related to Chapter 208, RSMo, version 1 (Mazur) - Minimum Wage and Benefits to In-Home Service Employees and Personal Care Attendants	06/11/2015
16-055	05/11/2015	Proposed Constitutional Amendment - Article X (Hatfield) - Limitation on Imposing Any New Tax	06/11/2015
16-054	05/11/2015	Proposed Constitutional Amendment - Article X (Hatfield) - Limitation on Imposing a Sales of Use Tax	06/11/2015
16-053	05/04/2015	Proposal Related to Chapter 67, RSMo (Apple) - Minimum Wage	Rejected by Secretary of State
16-052	05/04/2015	Proposal Related to Chapters 130 and 143, RSMo (Apple) - Public Financing for Elections	Rejected by Secretary of State
16-051	05/04/2015	Proposal Related to Chapters 21 and 105, RSMo (Apple) - Legislative Salaries	Rejected by Secretary of State
16-050	04/27/2015	Proposal Related to Chapter 610, RSMo (Dean) - Proposed Statutory Amendment	Rejected by Secretary of State
16-049	04/17/2015	Proposal Related to Chapters 286 and 143, RSMo (Apple) - Public Sector Employment	Rejected by Secretary of State
16-048	04/17/2015	Proposal Related to Chapter 192, RSMo (Apple) - The Missouri Health Insurance Cooperative	Rejected by Secretary of State
16-047	04/15/2015	Proposal Related to Chapter 290, RSMo, version 3 (Granich) - Minimum Wage	05/15/2015
16-046	04/15/2015	Proposal Related to Chapter 290, RSMo, version 2 (Granich) - Minimum Wage	05/15/2015
16-045	04/15/2015	Proposal Related to Chapter 290, RSMo, version 1 (Granich) - Minimum Wage	05/15/2015

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Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-044	04/09/2015	Proposal Related to Chapter 290, RSMo (Peterson) - Minimum Wage	Rejected by Secretary of State
16-043	04/09/2015	Proposal Related to Chapter 196, RSMo (Peterson) - Regulations of Retail Food Sales	Rejected by Secretary of State
16-042	04/09/2015	Proposal Related to Chapter 386, RSMo (Apple) - Renewable Energy	Rejected by Secretary of State
16-041	04/09/2015	Proposal Related to Chapters 130 and 143, RSMo (Apple) - Public Financing for Elections	Rejected by Secretary of State
16-040	04/09/2015	Proposal Related to Chapter 21, RSMo (Apple) - Legislative Salaries	Rejected by Secretary of State
16-039	04/09/2015	Proposed Constitutional Amendment - Article III (Apple) - Repealing Term Limits	05/12/2015
16-038	04/09/2015	Proposal Related to Chapters 290 and 67, RSMo (Apple) - Minimum Wage	Rejected by Secretary of State
16-037	04/09/2015	Proposed Constitutional Amendment - Article III (Apple) - House of Representatives	05/12/15 Withdrawn by Petitioner
16-036	04/02/2015	Proposed Constitutional Amendment - Article III (Apple) - House of Representatives	Withdrawn by Petitioner
16-035	04/02/2015	Proposal Related to Chapters 290 and 67, RSMo (Apple) - Minimum Wage	Withdrawn by Petitioner
16-034	03/23/2015	Proposal Related to Chapter 610, RSMo (Dean) - Proposed Statutory Amendment	Rejected by Secretary of State
16-033	03/05/2015	Proposed Constitutional Amendment - Article VIII (Daniels) - Missouri Voter Disenfranchisement Reform Initiative	04/06/2015
16-032	03/04/2015	Proposed Constitutional Amendment (Dean)	Rejected by Secretary of State

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-031	02/27/2015	Proposed Constitutional Amendment (Dean)	Rejected by Secretary of State
16-030	02/13/2015	Proposal Related to Chapter 195, RSMo (Riffle) - Repeal Without Probation or Parole Sentence for Non-Violent Drug Offenders	03/17/2015
16-029	02/09/2015	Proposed Constitutional Amendment - Article IX, version 4 (Shore) - Local Control of School Districts	Rejected by Secretary of State
16-028	02/09/2015	Proposed Constitutional Amendment - Article IX, version 3 (Shore) - Local Control of School Districts	Rejected by Secretary of State
16-027	02/09/2015	Proposed Constitutional Amendment - Article IX, version 2 (Shore) - Local Control of School Districts	Rejected by Secretary of State
16-026	02/09/2015	Proposed Constitutional Amendment - Article IX, version 1 (Shore) - Local Control of School Districts	03/13/2015
16-025	02/09/2015	Proposed Constitutional Amendment - Article I, version 5 (Carter) - Parents Bill of Rights	Rejected by Secretary of State
16-024	02/09/2015	Proposed Constitutional Amendment - Article I, version 4 (Carter) - Parents Bill of Rights	Rejected by Secretary of State
16-023	02/09/2015	Proposed Constitutional Amendment - Article I, version 3 (Carter) - Parents Bill of Rights	Rejected by Secretary of State
16-022	02/09/2015	Proposed Constitutional Amendment - Article I, version 2 (Carter) - Parents Bill of Rights	03/13/2015
16-021	02/09/2015	Proposed Constitutional Amendment - Article I, version 1 (Carter) - Parents Bill of Rights	03/13/2015
16-020	01/29/2015	Proposed Constitutional Amendment - Article I (Carter) - Parents Bill of Rights	Rejected by Secretary of State
16-019	01/29/2015	Proposed Constitutional Amendment - Article IX (Shore) - Local Control of School Districts	Rejected by Secretary of State

Initiative Petitions

Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
16-018	01/27/2015	Proposal Related to Chapter 195, RSMo (Riffle) - Repeal Without Probation or Parole Sentence for Non-Violent Drug Offenders	Withdrawn by Petitioner
16-017	01/20/2015	Proposal Related to Chapter 195, RSMo (Riffle) - Repeal Without Probation or Parole Sentence for Non-Violent Drug Offenders	Rejected by Secretary of State
16-016	01/08/2015	Proposed Constitutional Amendment - Article VIII, version 2 (Daniels) - Amending Voter Qualifications	Rejected by Secretary of State
16-015	01/08/2015	Proposed Constitutional Amendment - Article VIII, version 1 (Daniels) - Amending Voter Qualifications	Rejected by Secretary of State
16-014	01/06/2015	Proposal Related to Chapter 195, RSMo (Riffle) - Repeal Without Probation or Parole Sentence for Non-Violent Drug Offenders	Withdrawn by Petitioner

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Nicole Galloway, CPA
Missouri State Auditor

Douglas County



March 2016
Report No. 2016-012

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Douglas County

County Procedures

As noted in previous audit reports, the road and bridge department does not maintain mileage and fuel logs for its vehicles and equipment. Although the sheriff's office maintains fuel logs, employees do not always enter odometer readings or reconcile logs to fuel purchases. Additionally, county personnel policies need improvement. Two non-supervisory employees of the road and bridge department accrued excessive leave balances because the county considered them emergency personnel; however, the Fair Labor Standards Act (FLSA) does not define those employees as emergency personnel. One employee accrued significantly more hours than allowed by the FLSA even for emergency personnel, and the amount of accrued leave for both employees violated county policy. The road and bridge department supervisor directly oversees his son, a full-time department employee, and county policy does not address employment of related individuals. County policy also does not comply with the Family and Medical Leave Act. Although the Act provides 12 weeks of job protected, unpaid leave for eligible employees due to pregnancy, prenatal care, child birth or care of a child after birth or adoption, county policy indicates expectant mothers can have 6 weeks of unpaid leave and can also use accrued vacation and sick leave.

Electronic Data Security

The county collector, county assessor, county clerk, recorder of deeds and sheriff have inadequate password controls to reduce the risk of unauthorized access to computers and data. These offices do not require employees to change their passwords periodically. Some county offices also do not have controls in place to lock computers after incorrect logon attempts or after periods of inactivity.

Prosecuting Attorney's Controls and Procedures

As noted in previous audit reports, the prosecuting attorney does not segregate accounting duties adequately or perform supervisory reviews of accounting records maintained by his legal assistant. The assistant is solely responsible for receiving, recording, and depositing money and can make adjustments in the accounting system without independent approval. The office does not deposit money timely or disburse restitution payments to victims timely. Restitution payments often are held until a significant amount of money is received for a victim; as a result, some money has been held since 2011 and 2012. The prosecuting attorney also does not adequately reconcile liabilities to the reconciled bank balance, resulting in \$1,465 in unidentified money in an account.

Public Administrator's Controls and Procedures

Some annual settlements filed by the public administrator lack adequate detail; for example, the source for money received is not always accurately documented, and supporting records like bank statements are not always filed with the settlement. Some settlements are filed late, and the court does not always notify the public administrator of the deadlines, as required by law. In one case, the public administrator had still not filed a settlement more than 8 months after the deadline. As noted in a prior audit, the public administrator does not adequately document the disbursements of gift cards. For one ward living in Florida, the administrator did not maintain receipts indicating the ward received gift cards worth \$1,355, a \$250 check, or a phone.

Sheriff's Controls and Procedures	As noted previously, the sheriff's office does not prepare monthly bank account reconciliations or a list of liabilities for its civil fee bank account, and \$718 of unidentified monies were in the account. The office does not deposit money timely, increasing the risk of loss, theft or misuse of funds. Additionally, the sheriff's office does not perform a physical inventory of seized property and has held onto some property for years, with some items dating back to at least 2006.
County Collector's Receipts and Deposits	The collector's office does not always accurately record the method of payments received (cash, check, money order or credit card), and auditors identified instances where deposits for types of payments did not agree to receipts. The office also does not always make timely deposits.
Recorder of Deeds' Controls and Procedures	The recorder of deeds had not prepared bank reconciliations or lists of liabilities since October 2013. The recorder does not deposit money timely and does not account for the numerical sequence of transaction numbers in the accounting system. Fifteen numbers were missing and later determined to have been voided.
County Clerk's Deposits	The county clerk does not deposit money timely, increasing the risk of loss, theft or misuse of funds.
County Assessor's Controls and Procedures	The assessor has not adequately segregated accounting duties of the two employees who collect, record and transmit money to the county treasurer. The assessor also does not perform a documented supervisory review of accounting records to ensure accuracy. Auditors identified a number of concerns when reviewing transactions, including \$38 in overpayments that had been held since 2012, a payment for \$19 in February 2015 for which a receipt slip was not issued until June 2015, and a \$5 shortage for cash on hand.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Douglas County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Douglas County

We have audited certain operations of Douglas County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Douglas County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

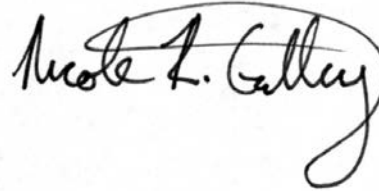
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Douglas County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
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	Seth Rogers, MPA

Douglas County

Management Advisory Report

State Auditor's Findings

1. County Procedures

Controls and procedures over fuel use and personnel policies need improvement.

1.1 Fuel use

The county lacks adequate procedures to account for fuel use by the road and bridge department and the Sheriff's office. Accounting records indicated fuel purchases totaled approximately \$112,000 for the road and bridge department and \$36,000 for the Sheriff's office during the year ended December 31, 2014.

Mileage and fuel logs are not maintained for the road and bridge department's 13 vehicles and 18 pieces of equipment. In addition, none of the 7 portable tanks used by department employees to fuel vehicles and equipment are metered. Also, while Sheriff's office employees maintained fuel logs, they did not always enter the odometer reading on the logs or use them to reconcile to fuel purchases.

Mileage and fuel logs are necessary to document the appropriate use of vehicles and equipment and to support fuel purchases. Without sufficient and accurate information the county cannot evaluate the propriety and reasonableness of fuel pumped/used or reconcile amounts used to fuel billings. Failure to account for fuel purchases and fuel usage could result in loss, theft, or misuse going undetected.

A similar condition was noted in our 2 prior audit reports.

1.2 Personnel policies

The County Commission has not adopted formal policies regarding compensatory time for all employees to ensure policies are in accordance with the Fair Labor Standards Act (FLSA), and the employment and supervision of related employees. In addition, the maternity leave section of the county's personnel policy differs from the requirement of the Family and Medical Leave Act (FMLA).

- The county's personnel policy does not address the maximum amount of compensatory time emergency personnel are allowed to accrue and does not define which employees are considered emergency personnel.
- Two road and bridge employees have accrued excessive compensatory balances. These employees had compensatory balances of 568 hours and 359.75 hours respectively, as of May 31, 2015. The County Clerk indicated the county considered road and bridge employees to be "emergency" personnel. However, the FLSA does not indicate that road and bridge employees are emergency personnel. The FLSA allows emergency personnel to accrue 480 hours of compensatory time while 240 hours of compensatory time can be accrued for non-emergency personnel. Additionally, the county's policy limits compensatory time for non-emergency personnel to 40 hours. Thus, the compensatory



Douglas County Management Advisory Report - State Auditor's Findings

hours accrued are above the limits of both the county and FLSA policies. Neither of these employees served in a supervisory position, other road and bridge employees have not accrued such large amounts of compensatory time, and it is not clear why only these 2 employees accrued significant compensatory time or why road and bridge employees would be considered emergency personnel by the county.

- The road and bridge supervisor directly supervises his son, who is a full-time employee in the road and bridge department, and the county's personnel policy does not address employment of related individuals. The supervision of a related employee could compromise a supervisor's objectivity when assigning duties or evaluating performance.
- The county's personnel policy is not in compliance with the FMLA. The county's personnel policy indicates an expectant mother can have up to 6 weeks leave without pay for maternity leave and can also use accrued vacation and sick leave, but does not refer to the FMLA or address the 12 weeks of job protected leave required by the FMLA. The FMLA requires covered employers to provide up to 12 weeks of unpaid, job protected leave to eligible employees for incapacity due to pregnancy, prenatal medical care or child birth, or to care for the employee's child after birth, or placement for adoption or foster care. The FMLA also provides for the substitution of paid leave for unpaid leave, if employers require use of accrued leave while taking FMLA leave.

Complete and up-to-date personnel policies are necessary to ensure compliance and equitable treatment of employees and should address pertinent issues such as compensatory time and employment of related employees. Policies should also comply with applicable state or federal requirements.

Recommendations

The County Commission:

- 1.1 Require mileage and fuel logs be maintained for road and bridge department vehicles and equipment. The County Commission should work with the Sheriff to ensure odometer readings are entered on the fuel logs, and these logs are reviewed for accuracy and reconciled to fuel purchases.
- 1.2 Revise the personnel policies to adequately address compensatory time, related employees, and maternity leave.

Auditee's Response

The County Commission provided the following responses:

- 1.1 *We had implemented some fuel logs after the last audit, but we were not investigating and explaining differences in our fuel reconciliations. We are working on implementing additional*



Douglas County
Management Advisory Report - State Auditor's Findings

mileage and fuel logs to be maintained for the road and bridge department vehicles and equipment. The County Commission will work with the Sheriff to ensure odometer readings are entered on the fuel logs and fuel use is reconciled to fuel purchases.

- 1.2 *We are going to update the personnel policy to address compensatory time and maternity leave. In regard to the related employees, we oversee the road and bridge department employees and will assign duties and evaluate employee performance.*

The Sheriff provided the following responses:

- 1.1 *My office does log the vehicle, mileage, and odometer reading on vehicles at the time of fueling. There is however one vehicle that we are unable to write down the mileage because the odometer is out and it would cost a substantial amount to fix. My office's fuel tank is metered and the meter reading is logged at each fueling to ensure no fuel is stolen. In the future I will reconcile monthly fuel used to fuel purchases.*

2. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

2.1 Passwords

The County Collector, County Assessor, County Clerk, Recorder of Deeds, and Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed by employees in these offices, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

2.2 Security controls

Security controls are not in place to lock computers in some county offices after a specified number of incorrect logon attempts or after a certain period of inactivity. Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals



Douglas County
Management Advisory Report - State Auditor's Findings

accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

Recommendations

The County Commission work with other county officials to:

- 2.1 Require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.
- 2.2 Require each county computer to have security controls in place to lock it after a specified number of incorrect logon attempts or after a certain period of inactivity.

Auditee's Response

- 2.1 *We have implemented this. Computers are currently password protected. The County Commission will require that passwords be kept confidential and changed periodically.*
- 2.2 *We will consider this recommendation.*

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected approximately \$85,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2014.

3.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting records. One legal assistant receives, records, and deposits monies received; prepares checks for disbursement; and reconciles the bank account. Additionally, the legal assistant also has the ability to record adjustments to defendant accounts in the computerized accounting system without independent approval. The Prosecuting Attorney does not perform a documented supervisory review of the accounting records to ensure all monies received are properly recorded and deposited or disbursed to the appropriate party.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement documented independent or supervisory reviews of accounting records, which would include a review of adjustments made.



Douglas County
Management Advisory Report - State Auditor's Findings

3.2 Deposits

Monies received are not deposited timely. For example, \$839 received from June 3, 2015, through June 26, 2015, was not deposited until June 30, 2015.

To safeguard receipts and to reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are deposited timely.

3.3 Liabilities

The Prosecuting Attorney does not reconcile the list of liabilities to the reconciled bank balance, and has not investigated and resolved any differences. The reconciled bank balance as of June 30, 2015, was \$13,030, while the list of liabilities totaled \$11,565, resulting in \$1,465 in unidentified monies in the account.

Monthly lists of liabilities should be reconciled to the available cash balance to ensure records are in balance, errors are detected and corrected timely, and sufficient funds are available for payment of all liabilities. Differences must be investigated and explained. Various statutory provisions provide for the disposition of unidentified monies.

3.4 Disbursement of restitution

Restitution is not always timely disbursed to victims. The legal assistant indicated restitution payments are held and not disbursed to victims until a significant amount of restitution is received for each victim. For example, during our review of 15 of the 36 cases indicated on the June 30, 2015, list of liabilities, we identified approximately \$5,200 being held for 11 cases that had been held since at least December 31, 2014, with some of the monies being held since 2011 and 2012.

To reduce the risk of loss, theft, or misuse of funds, restitution monies received should be disbursed timely to the victims.

Similar conditions previously reported

Similar conditions to sections 3.1 and 3.2 were noted in our prior 2 audit reports, and a similar condition to section 3.4 was noted in our prior audit report. Additionally, the *Follow-Up Report on Audit Findings - Douglas County*, Report No. 2012-27, issued in April 2012 (sections 8.1 and 8.2), reported the status, at that point in time, as implemented for section 3.1 and in progress for section 3.2. The current Prosecuting Attorney needs to take steps to correct these weaknesses.

Recommendations

The Prosecuting Attorney:

- 3.1 Adequately segregate accounting duties or ensure supervisory reviews of accounting records are performed and documented. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments.
- 3.2 Ensure receipts are deposited timely.



Douglas County
Management Advisory Report - State Auditor's Findings

Auditee's Response

- 3.3 Reconcile the list of liabilities to the reconciled bank balance, promptly investigate any differences, and dispose of unidentified monies in accordance with state law.
- 3.4 Ensure timely disbursement of restitution monies.
- 3.1 *Accounting duties cannot be segregated between the staff because there is only one staff person who is an actual employee of Douglas County. The other two members of the staff are paid with grant money that specifically defines their responsibilities. I open and review the bank statement each month, initializing and dating all the papers. No cash is accepted. I will follow the recommendation.*
- 3.2 *In June 2015, the deposit was overlooked because of a jury trial and caseload that month. I will implement a policy so that this doesn't happen again.*
- 3.3 *This error has existed for approximately 5 years. Any recent discrepancies have been minor errors. I will review this monthly. I believe this amount is extremely small compared to other counties.*
- 3.4 *This recommendation is not always practical because the office gets extremely small payments on occasion. Additionally, funds are occasionally held at a victims request because they do not live locally, do not trust the postal system, or are on vacation. We have never had a victim complain about not getting a small payment for a month. The victims we have dealt with prefer a larger payment.*

4. Public Administrator's Controls and Procedures

Controls and procedures in the Public Administrator's office need improvement. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division, and was responsible for the financial activity of 60 individuals as of June 25, 2015.

4.1 Annual settlements

Some annual settlements prepared by the Public Administrator's office were not adequately detailed. In addition, the Circuit Court, Probate Division does not perform sufficient reviews of the activity of cases assigned to the Public Administrator. During our review of 5 annual settlements, we noted the following concerns:

- The source of receipts was not adequately or accurately documented for 3 annual settlements. These annual settlements indicated "direct deposit" as the source of receipts for receipts totaling approximately \$69,000.



Douglas County Management Advisory Report - State Auditor's Findings

- The payee for several disbursements was not adequately documented for 2 annual settlements reviewed. The check number was indicated as the payee for 7 of 11 disbursements included on one of the annual settlements and the payee was not indicated for either of the 2 disbursements on another annual settlement.
- Bank statements and canceled checks were not filed with the court for some annual settlements reviewed and approved by the Circuit Court, Probate Division.
- The Public Administrator did not file supporting documentation, such as invoices with the Circuit Court, Probate Division, when filing annual settlements.

To ensure the financial activity of the estates is adequately reported to the Circuit Court, Probate Division, all receipts and disbursements should be adequately detailed and recorded on the annual settlements. In addition, without receiving and comparing the bank information to the annual settlements and obtaining documentation of disbursements, the Circuit Court, Probate Division, cannot be assured that the balances reported on the annual settlements are correct, verify the accuracy of the receipts and disbursements recorded on the annual settlement, or assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring supporting documentation be filed with the court.

4.2 Filing of annual settlements

The Public Administrator did not always file annual settlements timely. The annual settlement for one ward for the year ended June 4, 2014, was not filed until September 29, 2014. The annual settlement for another ward for the year ended April 16, 2015, had not been filed as of January 7, 2016. In addition, the clerk of the Circuit Court, Probate Division, did not notify the Public Administrator of the deadline for the annual settlement until January 6, 2016.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. In addition, while Sections 473.557 and 475.280, RSMo, require the clerk of the court to notify the conservator or guardian (Public Administrator) of the deadline for the annual settlement, these sections do not excuse the Public Administrator from making the settlement at the time required by law. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

4.3 Disbursements

The Public Administrator's handling of transactions involving a ward living in Florida need improvement.



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Management Advisory Report - State Auditor's Findings

- The Public Administrator lacked adequate documentation showing the ward or others accepting payment on behalf of the ward received gift cards, a phone, and a \$250 check. A receipt or other documentation was not obtained indicating the ward received 3 gift cards totaling \$1,355 and a phone costing \$107. The Public Administrator also issued a \$250 check to a friend of the ward. The Public Administrator indicated the ward did not have a way to cash the check, and the ward's friend was to cash the check and give the ward \$150 and the rest to another individual. The Public Administrator lacked adequate documentation supporting this explanation.
- The Public Administrator indicated she mailed these gift and phone cards and the phone to the ward through standard mail. Mailing items of value increases the risk they could be stolen and misused.

To adequately safeguard and reduce the risk of loss, theft, or misuse of ward assets, documentation indicating monies or other items of value provided to a ward should be obtained and retained. If such items have to be sent to a ward, using a method that will track delivery of the items would help provide this documentation.

Similar condition
previously reported

A similar condition to section 4.3 was noted in our prior audit report. Additionally, the *Follow-Up Report on Audit Findings - Douglas County*, Report No. 2012-27, issued in April 2012 (section 7.1), reported the status, at that point in time, as in progress for section 4.3; however this audit indicates the Public Administrator has not taken steps to correct this weakness.

Recommendations

The Public Administrator:

- 4.1 Prepare annual settlements that adequately detail and report all receipts and disbursements. In addition, the Circuit Judge, Probate Division, should establish procedures to adequately monitor the activity of all cases assigned to the Public Administrator, and require supporting documentation such as bank statements, canceled checks, and invoices to be filed with the court.
- 4.2 Ensure annual settlements are timely filed. In addition, the Circuit Court, Probate Division, should timely notify the Public Administrator of annual settlement deadlines and follow up on annual settlements that are not filed by the required date.
- 4.3 Obtain and retain documentation supporting monies or other items of value provided to a ward. If such items have to be sent to a ward, using a method that will track delivery of the items should be considered.



Douglas County
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Public Administrator indicated she did not wish to provide a response.

The Circuit Judge, Probate Division, provided the following responses:

- 4.1 *The Court agrees with this recommendation. The Court will work with the Probate Clerk to ensure that all settlements are thoroughly reviewed.*

The Public Administrator bank accounts are maintained at a financial institution that will provide canceled checks or an image of those checks with the monthly statements. The Probate Court has instructed the Public Administrator to include the payee information on the annual settlement even though the check is included. Bank statements were filed with every annual settlement filed by the Public Administrator. The Public Administrator filed the originals, which were returned as a courtesy after the Probate Clerk and Court's audit of them. This was the practice for years because the Public Administrator did not have a copy machine and wanted the originals returned. Electronic filing was implemented in Douglas County in October 2015. The Forty-Fourth Circuit Court rules now require that the Public Administrator documents, including bank statements and canceled checks be filed and scanned electronically for the probate file. Original copies are filed with the Clerk to assist in the auditing process and are then returned to the Public Administrator after the audit. This rule was implemented by the Court en banc concerning all settlements, not just those of the Public Administrator, because some electronic copies of records from all settlement providers are illegible in the electronic system.

- 4.2 *The Court agrees with this recommendation. The Court issues citations to the Public Administrator and sets a court date for an appearance when annual settlements are not timely filed. The Court will continue to work with the Probate Clerk to ensure that notices for annual settlements are timely sent to the Public Administrator. The Probate Clerk will continue to work with the Office of State Courts Administrator (OSCA) to determine why the OSCA Milestone system does not always generate timely notices to the Clerk.*

- 4.3 *The Court agrees with this recommendation. The ward who disappeared and was located in a homeless camp in Florida presented particular challenges. The Public Administrator was able to locate the ward by becoming the payee on his social security through court order when it was discovered his original guardian and conservator had passed away and the ward has disappeared. She was able to provide his housing, money and a means to*



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communicate with her. However, the Probate Court does believe that gift cards should be used sparingly and that a signed receipt from the ward or from an administrative personnel at a ward's facility should be obtained.

5. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office deposited approximately \$175,000 collected for civil and criminal process fees, bonds, and other miscellaneous fees into the general and civil fee accounts during the year ended December 31, 2014.

5.1 Bank reconciliations and liabilities

Sheriff's office personnel had not prepared monthly bank reconciliations or a list of liabilities for the civil fee bank account when we started the audit. In addition, a list of liabilities was not prepared and reconciled to the general fee account bank reconciliation.

At our request, Sheriff's office personnel prepared a bank reconciliation and a list of liabilities for the civil fee account as of June 30, 2015. The list totaled \$1,049, while the reconciled bank balance was \$1,767, resulting in an unidentified difference in the account of \$718. Also, the reconciled bank balance of the general fee account as of April 30, 2015, was \$129, but a list of liabilities was not prepared.

Preparing monthly bank reconciliations and lists of liabilities is necessary to ensure accounting records are in balance and increase the likelihood errors will be identified. Regular identification and comparison of liabilities to the available cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities. Differences must be adequately investigated and explained. Various statutory provisions provide for the disposition of unidentified monies.

5.2 Deposits

Monies received are not deposited timely. Deposits were typically made weekly into the general and civil fee bank accounts. For example, \$1,750 received from September 26, 2014, through October 4, 2014, was not deposited in the general fee account until October 8, 2014.

To safeguard receipts and to reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are deposited timely.

5.3 Seized property

A physical inventory of seized property has not been performed, and seized property records include all seized property and does not document what property items are currently on hand, have been returned to owners, or destroyed. In addition, some seized property has been held for years with some items dating back to at least 2006.



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Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the property. Periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly. Section 542.301, RSMo, provides the requirements for the disposition of unclaimed property.

Similar conditions
previously reported

A similar condition to section 5.1 was noted in our prior audit report and a similar condition to section 5.2 was noted in our prior 2 audit reports. Additionally, the *Follow-Up Report on Audit Findings - Douglas County*, Report No. 2012-27 (sections 6.2 and 6.3), issued in April 2012, reported the status, at that point in time, as implemented for sections 5.1 and 5.2; however this audit indicates the Sheriff has not taken steps to correct these weaknesses.

Recommendations

The Sheriff:

- 5.1 Perform monthly bank reconciliations and prepare monthly lists of liabilities for all accounts and compare lists of liabilities to the available cash balances, and promptly investigate and resolve differences.
- 5.2 Ensure receipts are deposited timely.
- 5.3 Ensure a periodic inventory is conducted and reconciled to the seized property records, and investigate any differences. The Sheriff should also maintain seized property records that document the seized property on hand and the disposition of any seized property, and make timely and appropriate dispositions of seized property.

Auditee's Response

- 5.1 *Prior to the audit, the civil account was reconciled with our Quick Books program and not necessarily with the checkbook register. Since the time of the audit, it is now reconciled with both. It was noted that in the civil account, we were holding \$718 more than what the reconciliation shows. We are investigating this now to determine if a refund was not returned to an account. It was noted that in the general account, we were holding \$129 more than what the reconciliation shows. This is being investigated to determine if someone is due a refund or if this needs to be turned over to the County Treasurer. Since the audit, a monthly reconciliation is being performed not only to the register but the Quick Books program as well.*
- 5.2 *In response to deposits being made in a timely fashion, you have specifically noted that there are times deposits are not made in a*



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timely fashion. In the future if the Clerk is on extended vacation, I as Sheriff will make the deposits to alleviate this problem.

- 5.3 *My office has already been working closely with the newly elected Prosecuting Attorney to begin evidence disposal. My office has numerous items still in evidence from the previous Sheriff on cases that were prosecuted by the Attorney General's Office. Evidence destruction orders from that office has not been very forth coming. My office will work with the seized property record system vendor to develop a report that will only show evidence on hand, and an inventory will be conducted to compare with this report.*

The Douglas County Sheriff's Office will and has begun the process to become compliant with the suggestions on this audit.

6. County Collector's Receipts and Deposits

Procedures for receipts and deposits need improvement. The County Collector's office processed tax collections and other monies of approximately \$5.3 million during the year ended February 28, 2015.

- County Collector's office personnel do not always record the method of payment (cash, check, money order, or credit card) accurately in the property tax system, and the composition of receipts is not reconciled to the composition of deposits. We identified numerous instances where the composition of receipts did not agree to the composition of deposits.

We reviewed supporting documentation for selected deposits and determined some differences were due to data entry errors. In addition, the property tax system reduces the total cash amount collected on the collection reports for overpayments and subsequent refunds. Since the cash amount is reduced, the total cash amount received does not agree to the total cash amount deposited. The County Collector did not identify or explain on the collection reports when these situations occurred.

- The County Collector does not deposit monies timely. For example, \$3,068 received on October 7 and 8, 2014, was not deposited until October 14, 2014. We noted other instances where monies received were not deposited timely. Deposits were generally only made weekly for some months.

To adequately account for collections and reduce the risk that loss, theft, or misuse of monies, the method of payment should be correctly recorded, the composition of receipts should be reconciled to the composition of deposits, and deposits made timely.



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Recommendation

The County Collector accurately record the method of payment, reconcile the composition of receipts to the composition of deposits, and deposit monies intact and timely. The County Collector should also consider working with the tax system programmer to implement changes to the system that will allow overpayments and refunds to be properly recorded in the property tax system.

Auditee's Response

In the course of helping sometimes hundreds of customers a day, our office does make mistakes. Although we do continually work to improve our attention to detail and understanding of our computer system, errors do occur. We have spoken to our programmer about making improvements to help streamline the process and tailor the system to fit our needs, but there is a limit to the changes that can be made. There are multiple scenarios that cause the incorrect payment information to be entered from connectivity issues with our system, to customers simply changing their minds in the middle of a transaction. Regardless of the situation we do go to great lengths to reconcile the composition of receipts at the end of every business day and this will be thoroughly documented in the future. We match the amount of cash, checks, and credit card payments to the tax receipts and deposit these amounts as they are received. When we have sufficient transactions to justify making a deposit, we always try to make one. In the instance mentioned in this report, the deposit was taken to the bank on Friday, October 10, at the end of the work day. As Monday, October 13, was Columbus Day, the bank did not post the deposit until Tuesday, October 14, the next business day after the deposit was made.

7. Recorder of Deeds' Controls and Procedures

Controls and procedures in the Recorder of Deeds' office need improvement. The office collected various fees totaling approximately \$85,000 related to recording documents, such as marriage licenses and deeds, during the year ended December 31, 2014.

7.1 Bank reconciliations and liabilities

Bank reconciliations and lists of liabilities have not been prepared for office bank accounts since October 2013. The Recorder of Deeds maintains a fee account for the deposit of all monies received, except for federal and state tax liens, which are deposited in a separate bank account.

We prepared a bank reconciliation for the fee account as of April 30, 2015, and compared it to the April 2015 collection report. The reconciled cash balance was \$8,789, while the collection report totaled \$8,834, resulting in \$45 not accounted for in the collection report. In addition, deposits were not recorded in the check register and a running balance was not maintained.

We prepared a bank reconciliation and a list of liabilities for the federal and state tax lien account as of June 30, 2015. The reconciled cash balance was \$483, while the list of liabilities totaled \$505, resulting in a \$22 shortage that was caused by a disbursement error. In addition, the Recorder of Deeds



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had not disbursed any of the monies collected since December 31, 2013, and does not maintain a check register for this account.

Preparing monthly bank reconciliations and lists of liabilities and also maintaining running book balances in check registers are necessary to ensure accounting records are in balance and increase the likelihood errors will be identified. Regular identification and comparison of liabilities to the available cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities. Differences must be adequately investigated and explained. In addition, Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to file a monthly report with the county and pay such monies to the County Treasurer.

7.2 Deposits

Monies received are not deposited timely. For example, \$1,921 received from April 9, 2015, through April 16, 2015, was not deposited in the fee account until April 20, 2015. We noted numerous other instances where monies received were not deposited timely.

To safeguard receipts and to reduce the risk that loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are deposited timely.

7.3 Transaction numbers

The Recorder of Deeds does not account for the numerical sequence of transaction numbers assigned by the computerized accounting system. During April 2015, 15 transaction numbers were missing from the collection reports and not accounted for. These transaction numbers were later determined to have been voided.

To properly account for monies received and reduce the risk of loss, theft, or misuse of funds, the Recorder of Deeds should account for the numerical sequence of transaction numbers.

Recommendations

The Recorder of Deeds:

- 7.1 Perform monthly bank reconciliations and prepare monthly lists of liabilities for all accounts, and compare the list of liabilities to available cash balances, and promptly investigate and resolve differences. The Recorder of Deeds should also turn over federal and state tax lien fees to the County Treasurer.
- 7.2 Ensure receipts are deposited timely.
- 7.3 Account for the numerical sequence of all transaction numbers.



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Auditee's Response

- 7.1 *I will maintain bank reconciliations of the fee checking account and make sure all deposits and checks are accounted for. I have closed out the second account that I had the state and federal tax liens deposited into. All the monies received are now deposited into the fee account. The federal tax liens I have received are paid out to the County Treasurer. I will be working with the state on the state tax liens to find out which ones have been paid on and then they will also be paid out to the County Treasurer.*
- 7.2 *I will make timely deposits in my office.*
- 7.3 *I will try my best to account for the voided transactions daily. I will try my best to be in the right cashier system so a transaction doesn't have to be deleted or make sure everything is right before I start a transaction so it doesn't have to be deleted.*

8. County Clerk's Deposits

Monies received are not deposited timely. The County Clerk's office collected approximately \$7,200 in liquor licenses, ATV permits, notary service and commissions, and other miscellaneous fees during the year ended December 31, 2014.

Receipts totaling \$1,968 received from June 1, 2015, through June 11, 2015, were not deposited until June 12, 2015, and \$1,005 received from June 15, 2015, through June 30, 2015, was not deposited until June 30, 2015.

To safeguard receipts and to reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are deposited timely.

Recommendation

The County Clerk ensure monies received are deposited timely.

Auditee's Response

I will ensure that deposits are made timely.

9. County Assessor's Controls and Procedures

Controls and procedures in the County Assessor's office need improvement. The County Assessor's office collected approximately \$5,700 for maps, plat books, and miscellaneous fees during the year ended December 31, 2014.

9.1 Segregation of duties

The County Assessor has not adequately segregated accounting duties or performed supervisory reviews of accounting records. The County Assessor and 2 employees are responsible for collecting and receipting monies, and one of these employees is primarily responsible for preparing the monthly transmittal report and transmitting monies received to the County Treasurer. The County Assessor does not perform a documented supervisory review of



Douglas County
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the accounting records to ensure all monies received are properly recorded and transmitted to the County Treasurer.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the County Assessor should implement a documented independent or supervisory review of accounting records.

9.2 Receipting and transmitting

The County Assessor has not established proper controls or procedures for receipting and transmitting monies. A June 23, 2015, cash count and review of the subsequent transmittal to the County Treasurer identified the following concerns:

- The County Assessor was holding \$45 in cash overpayments received from 3 individuals. The County Assessor indicated 2 of the overpayments totaling \$38 had been held since 2012, and the remaining \$7 overpayment had been held from 6 months to a year. The County Assessor indicated she planned to refund the overpayments to these individuals the next time they come into her office.
- A \$19 check, dated February 6, 2015, was held by the County Assessor without a receipt slip being issued until June 11, 2015. The County Assessor indicated she was holding the check until her office performed the related services. In addition, the amount recorded as being received was altered from \$19 to \$14 on the receipt slip copy which also indicated "ck was for \$19, but gave \$3 credit."
- Cash on hand totaled \$158, while receipt slips and information provided by the County Assessor indicated cash on hand should have been \$163, indicating a \$5 cash shortage.
- Transmittal reports do not itemize each receipt; only accounting for the total amount of monies received by each type of receipt (maps, plat books, miscellaneous) and the composition of monies transmitted. As a result, the composition of receipt slips cannot be reconciled to the composition of monies transmitted to the County Treasurer.

To account for receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be transmitted intact to the County Treasurer monthly and overpayments refunded, receipt slips should not be altered, the method of payment should be indicated on the receipt slips, the composition of receipts should be reconciled to the composition of transmittals, and the transmittal reports should list each receipt.



Douglas County
Management Advisory Report - State Auditor's Findings

Recommendations

The County Assessor:

- 9.1 Segregate accounting duties or ensure an independent or supervisory review of accounting records is performed and documented.
- 9.2 Ensure all monies received are transmitted intact monthly, overpayment refunds are made timely, and receipt slips are not altered and indicate the method of payment, and reconcile the composition of receipt slips to the composition of monies transmitted.

Auditee's Response

- 9.1 *I will perform a monthly documented review of the accounting records to ensure all monies received are properly recorded and transmitted to the County Treasurer.*
- 9.2 *I will do my best to make sure all monies received are transmitted intact monthly. If any overpayments are made they will be refunded timely, and I have advised all clients that my office does not accept "credit" money to keep on hold. If office personnel make a mistake on a receipt slip, that receipt slip will be voided, and a new receipt slip will be issued to ensure that nothing is being "altered." Office personnel will indicate the method of payment on the receipt slips and reconcile the composition of receipts slips to the composition of monies transmitted.*

Douglas County

Organization and Statistical Information

Douglas County is a county-organized, third-class county. The county seat is Ava.

Douglas County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 47 full-time employees (including elected officials) and 14 part-time employees on December 31, 2014.

In addition, county operations include the Support the Handicapped Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2015	2014
Larry Pueppke, Presiding Commissioner	\$	28,400
Craig Cunningham, Associate Commissioner		26,400
Leon Potter, Associate Commissioner		26,400
Jacinda Sheppard, Recorder of Deeds		40,000
Karry Davis, County Clerk		40,000
Roger Wall, Prosecuting Attorney		125,287
Chris Degase, Sheriff		44,000
Theresa Miller, County Treasurer		40,000
Rick Miller, County Coroner		12,000
Linda Coonts, Public Administrator		40,000
Laura Stillings, County Collector, year ended February 28,	40,000	
Alicia Miller-Degase, County Assessor, year ended August 31,		40,000



Nicole Galloway, CPA
Missouri State Auditor

Dunklin County Public Administrator



March 2016
Report No. 2016-013

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Dunklin County Public Administrator

Background	The public administrator serves as the court appointed personal representative for decedents' estates and as guardian and/or conservator for individuals who are unable to care for themselves or their property. As of December 2014, the Dunklin County public administrator was responsible for the financial activity of approximately 200 wards with assets totaling approximately \$1.5 million. Shawnee L. Trowbridge served in the position from January 2007 until March 2, 2016, when she entered into a deferred prosecution agreement with the Attorney General's Office and resigned.
Gift Cards	After identifying questionable transactions made on gift cards purchased with wards' funds, the State Auditor's Office issued a subpoena compelling the public administrator to testify about the purchases. She indicated she had purchased items with one gift card that were not made on behalf of the ward. The improper purchases totaled \$250. An additional \$550 in questionable purchases were made on other ward gift cards and did not appear to have been made by, or on behalf of, wards. Questionable purchases included pet supplies and fuel for wards who did not have pets or own vehicles.
Disbursements	The public administrator failed to retain adequate supporting documentation for some disbursements from ward bank accounts. In a three-year period, she issued 10 checks totaling \$2,076 to Walmart from ward accounts but did not retain documentation to support the payments. She also issued personal allowance checks and purchased gift cards using wards' funds but did not maintain sufficient documentation or require the wards to sign a receipt to indicate they had received the checks or gift cards.
Medicaid Eligibility	The public administrator did not accurately report wards' assets on Medicaid eligibility review forms. On four of the 13 forms reviewed, auditors identified differences between the asset balances reported on the forms and the actual assets available.
Annual Settlements	The public administrator did not always file annual settlements timely, as required by state law. Settlements were filed late for 13 of 23 wards or estates, with one settlement filed approximately six months after the due date. Some settlements also were not filed for the required 12-month period; for example, one settlement was filed for a 10-month period and another was filed for a 14-month period. Additionally, some ward assets were not accurately reported in the annual settlements, and documentation to support the settlements was not filed with the circuit court. The probate division of the court did not have a system in place to monitor and ensure accurate and timely filing of settlements.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Dunklin County Public Administrator

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Public Administrator of Dunklin County

We have audited the Public Administrator of Dunklin County. During our audit of certain operations of Dunklin County in fulfillment of our duties under Section 29.230, RSMo, we determined there were improper gift card transactions in the Public Administrator's Office. The scope of our audit of the Public Administrator included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

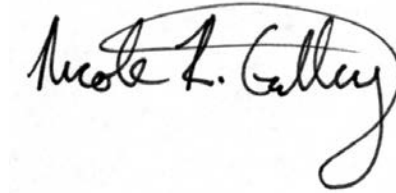
1. Evaluate the Public Administrator's internal controls over significant management and financial functions.
2. Evaluate the Public Administrator's compliance with certain legal provisions.
3. Determine the extent of improper gift card transactions in the Public Administrator's Office.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud and violations of legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) improper gift card transactions totaling at least \$250. The accompanying Management Advisory Report presents our findings arising from our audit of the Dunklin County Public Administrator.

An audit of certain operations of Dunklin County, fulfilling our obligations under Section 29.230, RSMo, is still in progress, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Tina Disney, M.Acct.
Audit Staff:	Albert Borde-Koufie, MBA Joshua Shope, M.Acct.

Dunklin County Public Administrator

Introduction

Background

The Public Administrator serves as the court appointed personal representative for decedents' estates and as guardian and/or conservator for individuals who are unable to care for themselves or their property when there is no one else to serve. The Public Administrator is responsible for the financial activity of approximately 200 wards with assets totaling approximately \$1.5 million as of December 31, 2014. The Public Administrator is required to file annual settlements with the Circuit Court, Probate Division, for each appointed ward or estate reflecting the financial activity for the year.

Shawnee L. Trowbridge was appointed Dunklin County Public Administrator in January 2007 and subsequently elected to the position in November 2008 and November 2012. During the year ended December 31, 2014, the Public Administrator received salary compensation of \$45,650. The Public Administrator supervised the daily operations of the Public Administrator's Office and employed 2 full-time employees as of December 31, 2014.

In April 2015, auditors identified questionable purchases made using gift cards purchased with ward monies. Our office deposed the Public Administrator under oath regarding these purchases in July 2015. Based on the results of the deposition, the county requested the Missouri State Highway Patrol conduct an investigation. On March 2, 2016, the Public Administrator entered into a deferred prosecution agreement with the Attorney General's Office and resigned.

Dunklin County Public Administrator

Management Advisory Report

State Auditor's Findings

1. Gift Cards

The Public Administrator made improper purchases totaling \$250 on a gift card purchased with ward monies, and purchases made on other ward gift cards totaling at least \$550 did not appear to be made by, or on behalf of, the wards. The Public Administrator could not provide documentation showing gift cards purchased on behalf of wards had been delivered to the wards. During our review of 578 annual settlements filed from 2011 through April 2015, we identified purchases of at least 18 Walmart gift cards totaling \$3,250, and 3 Visa gift cards totaling \$309.

The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. After identification of at least one purchase of a Walmart gift card that was not supported by adequate documentation, we applied limited procedures to disbursement transactions for the 3 years ended December 31, 2013, for the purposes of identifying additional Walmart transactions that may be gift card purchases. The Public Administrator did not retain documentation for several payments to Walmart (see Management Advisory Report (MAR) finding number 2), so we subpoenaed sales receipt slips from Walmart for these transactions. We identified a total of 18 Walmart gift card purchases from the available Walmart sales receipt slips. We then subpoenaed the transaction detail of purchases (transactions) made using these 18 Walmart gift cards.

According to the Public Administrator, gift cards were purchased for additional ward allowances or to reduce ward assets for Medicaid eligibility purposes (see MAR finding number 3). Our review of the subpoenaed documentation and ward case files identified questionable gift card transactions related to 4 wards. We issued a subpoena to compel testimony of the Public Administrator. In a sworn deposition¹ the Public Administrator indicated she made purchases on one of the gift cards that were not made on behalf of the ward (see footnote A in the following table). The following table lists the questionable transactions:

¹ On July 28, 2015, an attorney of the State Auditor's Office took the testimony of the Public Administrator over her usage of gift cards. This testimony was given under oath and was recorded by a court reporter.



Dunklin County Public Administrator
Management Advisory Report - State Auditor's Findings

Ward		Gift Card Amount	Date Purchased	Dates Used	Questionable Purchases
Ward 1	A	\$250	5/14/13	6/12/13, 6/14/13 & 6/15/13	Party supplies, dog food, cat food, pet supplies, and purchases made in Florida
Ward 1	B	\$100	12/18/13	12/18/13 & 12/20/13	Dog sweater
Ward 2	C	\$50	11/06/13	11/8/13 & 11/15/13	Fuel
Ward 3	D	\$200	5/19/14	5/24/14, 5/29/14 & 6/2/14	Fuel
Ward 4	E	\$200	5/19/14	5/23/14 & 9/4/14	Fuel, men's swimwear, children's clothing, girl's shoes, and bird toys
		\$800			

- A Ward 1 did not own any pets and was not in Florida when purchases were made. In a sworn deposition, the Public Administrator indicated she made the purchases on this gift card.
- B Ward 1 did not own a dog. During the sworn deposition the Public Administrator admitted to owning a dog.
- C Ward 2 did not own a vehicle.
- D Ward 3 lived in a nursing facility and did not own a vehicle.
- E Ward 4 lived in a nursing facility and did not own a vehicle. In addition, the ward (elderly female) did not own a bird or have relatives living nearby. During the sworn deposition the Public Administrator admitted to owning a bird and having two daughters.

The Public Administrator did not maintain sufficient documentation to support any of the 21 gift cards purchased and the wards did not sign a receipt indicating gift cards had been received from the Public Administrator (see MAR finding number 2). Without documentation to support these gift card purchases, there is no assurance the disbursements are valid and proper.

Gift card disbursements have more risk associated with them than check disbursements. Gift cards can be used by anyone in possession of the gift card. A check disbursement can only be cashed by the payee and the money remains in a bank account until the check is cashed, which provides added security. To adequately safeguard ward monies and reduce the risk of loss, theft, or misuse, the Public Administrator should discontinue purchasing gift cards.

After investigation by law enforcement officials, the Public Administrator entered into a deferred prosecution agreement with the Attorney General's Office. The terms of the deferred prosecution agreement included, but were not limited to, reimbursing the applicable ward accounts for the \$800 in questionable purchases and resigning her position as Public Administrator.

Recommendation

The Associate Circuit Judge work with the new Public Administrator to ensure no other discrepancies exist. In addition, the Public Administrator should discontinue the use of gift cards and prepaid debit cards.



Dunklin County Public Administrator
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Associate Circuit Judge provided the following response:

I agree gift cards as utilized by the Office of Public Administrator have a higher risk of misuse and theft. As soon as I became aware of the circumstances and manner of use by the Public Administrator, I immediately directed that she discontinue the use of gift cards or any similar device. (My Memorandum under date of June 5, 2015, was previously provided to your office at the exit interview.)

Further, when I became aware of the information disclosed by the "sworn statement" given by Ms. Trowbridge in late July of 2015, I immediately issued my "Memorandum and Order" under date of August 11, 2015, a copy of which was also provided to you at the exit interview. This greatly limited the ability of the Public Administrator to expend any funds of the ward and protectee without prior approval of the Court. This was followed by my "Memorandum and Order" under date of August 12, 2015 (copy also provided), which required the Public Administrator to appear each Friday beginning August 14, 2015, with the necessary Petitions and invoices or other proof of needed expenditures of the ward and protectee. This process was spelled out in greater detail in later Memorandums issued in September and October of 2015, copies of which were also submitted at the exit interview.

Most importantly, I also notified the Office of Prosecuting Attorney and Office of Sheriff of Dunklin County, Missouri of the concerns brought to light by your initial audit procedures and the sworn statement. Due to the potential conflict of interest, the matter was referred to the Office of Attorney General and to the Missouri State Highway Patrol. Throughout the next few months, at my direction, Ms. Sonya Lewis, Probate Clerk, supplied information and access to all files managed by the Public Administrator. This cooperation aided the investigators of the Highway Patrol to determine the appropriateness of criminal prosecution and the recovery of restitution of any misappropriated or misused funds.

Finally, when the new Public Administrator takes office, the Probate Court Clerk and I will personally review each of the approximate 130 files with the new office holder to ensure that no other discrepancies exist and to assure that all of the needs of the ward and protectee have been identified and are being met.

Former Public Administrator Shawnee Trowbridge provided the following response:

As the audit suggests in paragraph 1, it appears that there were purchases made on 5 of the 21 gift cards that were not made by the ward. In July, I was presented with receipts for purchases made on the Walmart gift cards



Dunklin County Public Administrator
Management Advisory Report - State Auditor's Findings

and for one card in particular it was obvious that I had made the purchases. After further inquiry I discovered that I had apparently given my gift card to a ward and kept hers. The ward has been interviewed by the Auditor's office and the investigators from Missouri State Highway Patrol, Division of Drug and Crime Control, in order to confirm this. When I was presented with this audit finding, I personally made deposits that reimbursed all of the cards in question. I have attached deposit slips to this statement showing the amounts were returned to the clients in full. No other gift cards have been purchased since November of 2014. It was suggested by the auditor to myself and Judge Preyer that no more be used in the future. An order was promptly issued by the court stating that no gift cards could be purchased in the future. The three pre-paid VISA cards were purchased in 2012 as an option for three specific cases, but were not refilled due to the fact that it would require an additional payment with every reload. There have been no other prepaid cards purchased since 2012, and we have no plans to purchase any in the future unless a system is set in place that will benefit the wards and is authorized by the Social Security Administration.

Auditor's Comment

The Public Administrator's assertion that our office and the Missouri State Highway Patrol confirmed the gift cards had been switched is not correct. We did not interview the ward. The Missouri State Highway Patrol indicated to us an officer interviewed the ward and the ward had no recollection of receiving any Walmart gift cards. In addition, we questioned the Public Administrator about the inappropriate purchases in July 2015, but she did not reimburse the applicable ward accounts until the day she signed the deferred prosecution agreement (March 2, 2016).

2. Disbursements

The Public Administrator did not retain adequate supporting documentation for some disbursements from ward bank accounts.

We reviewed 23 of the 127 annual settlements filed in 2014 and applied limited procedures to disbursement transactions for 578 annual settlements filed from 2011 through April 2015 for the purposes of identifying Walmart transactions. We determined adequate supporting documentation was not available, as follows:

- The Public Administrator issued 10 checks from 8 ward bank accounts totaling \$2,076 to Walmart from January 2011 through December 2014; however, she did not retain documentation to support these payments.
- The 23 annual settlements we reviewed showed the Public Administrator issued monthly personal allowance checks to 22 wards totaling \$52,724. In addition, as discussed in MAR finding number 1, the Public Administrator stated she sometimes purchased gift cards to provide additional allowances to wards. The documentation to support these check and gift allowances was not sufficient and the wards did not



Dunklin County Public Administrator
Management Advisory Report - State Auditor's Findings

sign a receipt indicating monies had been received from the Public Administrator.

To ensure payments are valid and proper and to reduce the risk of loss, theft, or misuse of funds, the Public Administrator should maintain adequate supporting documentation for all disbursements. This is especially important considering the questionable transactions noted in MAR finding number 1.

Recommendation

The Public Administrator ensure disbursements are supported by adequate documentation.

Auditee's Response

Former Public Administrator Shawnee Trowbridge provided the following response:

We presented trust statements for the list of wards in question from the facilities in which they reside. These statements are attached to this response. The clients that live out and personally pick up their checks, sign the back and cash them at the bank and we can provide copies of these canceled checks if the auditor desires. Also, we have implemented a practice since the audit to make sure all clients who pick up their checks in person sign for them, and we will try to implement a system of meeting with those who receive theirs by mail and make them sign an annual receipt that shows they did receive their personal allowance checks and cash them for their own benefit. We will continue to use a double check system in reconciling bank statements to make sure that all personal allowance checks are accounted for. All receipts for purchases will continue to be scanned and saved into each client file. All trust accounts from facilities will continue to be monitored and scanned and saved into the client file.

The Associate Circuit Judge provided the following response:

Through the procedures implemented as described in my response to MAR finding number 1 above, there will be more documentation of expenditures made by the Public Administrator. Further, I have implemented requirements of prior approval by written court order before most of the expenditures are made by the Public Administrator.

3. Medicaid Eligibility

The Public Administrator did not always report assets accurately on the Medicaid eligibility review form to help wards retain Medicaid eligibility. According to the Public Administrator, gift cards are sometimes purchased for future expenses so a ward's assets remain below Medicaid eligibility limits. These gift card purchases are in addition to the normal ward allowances and are not in lieu of such allowances.

We reviewed Medicaid eligibility forms for 13 of the 200 wards for the 4 years ended December 31, 2014, and identified 4 of the 13 forms had



Dunklin County Public Administrator
Management Advisory Report - State Auditor's Findings

differences between reported asset balances and the actual assets available. For example, a Medicaid eligibility form filed for one ward due August 31, 2012, understated the bank balance by \$200. The form indicated a bank account balance of \$1,582, but this balance was reduced by a \$200 gift card purchased on August 23, 2012. However, a gift card would remain an asset of the ward until it was spent.

When initially applying for or annually re-determining eligibility for Medicaid through the Department of Social Services (DSS), the Public Administrator is required to report all assets for each ward that may be in the form of cash, property, or other assets on the program application or eligibility review form. In addition, Section 208.210.1, RSMo, requires recipients to notify county welfare offices if they possess property that affects their right to receive benefits. Further, Section 208.210.2, RSMo, provides that if it is found that a recipient or spouse possessed income in excess of the amount reported that would affect his/her right to receive benefits, the amount of benefits may be recovered as a debt due to the state.

Recommendation

The Public Administrator report accurate asset information for wards to the DSS, Family Support Division. Additionally, the Public Administrator should contact the DSS, Family Support Division to determine whether any monies are due to the state.

Auditee's Response

Former Public Administrator Shawnee Trowbridge provided the following response:

I have reviewed the 4 Medicaid forms listed and found that two had addition errors in the form, but the bank statements and reconciliation forms were also attached to all the Family Support Division forms, which accurately display the balance. We will continue to make our best efforts to provide the information requested by the Family Support Division in a timely and accurate manner. (All 4 forms in question were prepared and signed by staff members who are no longer employed so I cannot ask them how they arrived at the figures they filled in.)

The Associate Circuit Judge provided the following response:

This Court was not aware of the inaccurate reporting by the Public Administrator to the Department of Social Services. The Public Administrator has been instructed that under no circumstances shall incorrect information be reported. In circumstances where this may have happened in the past, the Pubic Administrator will be instructed to contact the Department of Social Services as to possible reimbursement that may be needed.



Dunklin County Public Administrator
Management Advisory Report - State Auditor's Findings

4. Annual Settlements

The Public Administrator does not always file annual settlements timely in compliance with state law, and some assets purchased during the annual settlement period did not appear on the ending inventory section of the annual settlement.

Timely filing

For each ward or estate, the Public Administrator is required to file an annual settlement with the Circuit Court, Probate Division, on the anniversary date of the date of letters reflecting a detailed list of assets held, as well as financial activity for the previous year. We reviewed settlements filed for 23 of the 200 wards or estates and noted 13 annual settlements were filed after the due date, including one annual settlement that was filed approximately 6 months after the due date. In addition, 5 of the 23 settlements were not filed on a 12 month (annual) period, as required, including a settlement filed for a 10-month period and a settlement filed for 14-month period.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that loss, theft, or misuse of funds will go undetected.

Ward assets

The assets included in 3 of the 23 wards annual settlements reviewed were not accurate. Assets excluded from the annual settlements include an automobile and a burial plan. In addition, a life insurance policy was inaccurately included on an annual settlement.

To ensure the financial activity of the wards is accurately and completely reported to the court, all assets should be reflected on the annual settlements.

Supporting documentation

Supporting documentation for disbursements, such as invoices, vouchers, bank statements, or canceled checks, are not filed with the Circuit Court, Probate Division, when filing annual settlements. The Public Administrator only submits the first page of the last bank statement in the period of settlement to support the bank balance on the annual settlement. In addition, there is no evidence the Associate Circuit Judge performs any follow up with the Public Administrator to determine why these supporting documents are not submitted.

Section 473.543, RSMo, requires the Public Administrator to submit supporting documentation for all disbursements in excess of \$75 and indicates the court may require supporting documentation for disbursements of less than \$75. Without such documentation, it is difficult for the court to assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator.



Dunklin County Public Administrator
Management Advisory Report - State Auditor's Findings

Probate Division review

The Circuit Court, Probate Division, review of annual settlements filed by the Public Administrator did not detect any of the issues identified in this finding. In addition, the Circuit Court, Probate Division, does not have a system in place to monitor and ensure timely filing of settlements, nor does it follow up on annual settlements not filed by the required date.

Failure to adequately review settlements and ensure they are filed timely increases the risk that loss, theft, or misuse of funds could go undetected. Sections 473.557 and 475.280, RSMo, require the clerk of the court to notify the conservator or guardian (Public Administrator) of the deadline for the annual settlement; however, failure to receive the notice does not excuse the conservator or guardian from filing the settlements as required by law.

Recommendation

The Public Administrator ensure annual settlements are complete and accurate, and filed timely with supporting documentation. In addition, the Circuit Court, Probate Division, should notify the Public Administrator of annual settlement deadlines timely, follow up on settlements not filed by the required date, and review the settlements appropriately.

Auditee's Response

Former Public Administrator Shawnee Trowbridge provided the following response:

The Annual Settlements are currently up to date with all filings with the exception of two that we are waiting on the bank to provide us information that we requested. Since the start of this audit, the Probate Judge has changed his requirements for filing settlements to include additional supporting documentation to verify assets and receipts for expenditures. Those are being provided to the court as requested on all settlements.

In the paragraph marked "ward assets" there are 3 issues mentioned which include:

1. An automobile that was purchased by a ward that I am not the guardian for, only conservator, who did not inform my office of this purchase until after the filing of the annual settlement. It was not included because we were unaware of it. It has since been added to his inventory.

2. A burial plan that had been overlooked and not added to electronic inventory even though records were kept up to date in the file.

3. An insurance policy that had been put on record in the old accounting system by the previous public administrator but we did not have any information to support this policy. The information had been given to the previous public administrator that a family member had purchased the policy but the family did not ever provide proof. We had left it in there until the auditor asked that we remove it.



Dunklin County Public Administrator
Management Advisory Report - State Auditor's Findings

In the paragraph marked "supporting documentation" the auditor states that only the first page of the bank statement is provided. In the past we provided the most recent bank statement with the annual settlement and kept all 12 months of bank statement available for review of the court upon request. There have been many times that we have filed a settlement that the court has contacted us and requested additional supporting information and it has been provided. It was handled this way due to the lack of storage space at the court for filing very large stacks of documents in the files. The court has gone electronic as of September and we are now e-filing our settlements. We are now including all bank statements and supporting documentation.

The Associate Circuit Judge provided the following response:

In order to further identify and protect the assets of the wards and protectees, the "Memorandum and Orders" of August 11, 2015 and of September 4, 2015 implement procedures to make certain all assets are initially accounted for in the inventory and that all expenditures are properly documented and, in many instances, pre-approved.

As a result of the implementation of electronic filing and other updating of the court filing and computer systems in October 2015, this Court is better able to assure that annual settlements are timely filed. A process has been implemented whereby the Probate Court Clerk, on the first business day of each month, will prepare a report generated by the Office of State Courts Administrator that will detail what settlements and reports, including inventory, that are overdue.

With regard to any inventory or annual or final settlement that is more than 30 days overdue, a hearing will be set for the last Friday of the month which will require the Public Administrator, or the private guardian or conservator, or personal representative, to appear in person to provide a reason for the delay. This procedure is in addition to the required statutory notice of the due date of reports. It should provide a mechanism to identify and follow up with any report that is unnecessarily overdue.



Nicole Galloway, CPA
Missouri State Auditor

Monthly Report on Municipal Court and Revenue Filings

February 2016

March 2016
Report No. 2016-014



<http://auditor.mo.gov>

Monthly Report on Municipal Court and Revenue Filings

February 2016

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NICOLE GALLOWAY, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Nia Ray, Director
Department of Revenue
Jefferson City, Missouri

Section 479.362, RSMo, requires the State Auditor's Office (SAO) to notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them.

The primary objective of this compilation is to report the filing status for the cities, towns, and villages with an August 31, 2015, fiscal year end, who were required to file a financial report by February 29, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030; addendum under Section 479.359, RSMo, and 15 CSR 40-3.170; and, when applicable, a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180. The filing status for these 10 cities, towns, and villages is presented in summary on page 3 and by individual entity in Appendix A.

This report also includes the updated filing status for those cities, towns, and villages with fiscal year ends between March 31, 2015, and June 30, 2015, that filed at least one of the required items (financial report, addendum, or certification) in February 2016, after the filing deadline. The filing status for these 70 cities, towns, and villages is presented in summary on page 3 and by individual entity in Appendix B.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
General Counsel: Paul Harper, JD
Senior Analyst: Dana Wansing, MPA

Monthly Report on Municipal Court and Revenue Filings

February 2016

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359, RSMo, effective August 28, 2015, requires every county, city, town, and village to file an addendum to the annual financial report containing (1) annual general operating revenue; (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations; and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations. 15 CSR 40-3.170 provides the procedure to file the required addendum.

Section 479.360, RSMo, effective August 28, 2015, requires every county, city, town, and village that operates a municipal court to file with its annual financial report a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. 15 CSR 40-3.180 provides the procedure to file the municipal court certification. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

This report includes the filing status for the 10 cities, towns, and villages with a fiscal year end of August 31, 2015, whose financial reports, addendums, or certifications were due by February 29, 2016. Of the 10 entities, 9 filed an annual financial report and 5 filed an addendum. A municipal court certification was filed by 4 entities and 2 entities with a municipal court judge did not file a certification. No counties had to file within the reporting period of this report.

This report also includes the filing status for 70 cities, towns, and villages with fiscal year ends between March 31, 2015, and June 30, 2015, that filed at least one of the required items (financial report, addendum, or certification) in February 2016, after the filing deadline. Of these entities, 26 filed an annual financial report, 40 filed an addendum, and 28 filed a municipal court certification.

Appendix A
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due February 29, 2016

Fiscal Year Ended August 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum	Filed Certification
City of Arnold	Yes	Yes	Yes
City of Avondale	Yes	No	Yes
City of Forsyth	Yes	Yes	Yes
City of Golden City	Yes	No	n/a
City of Memphis	No	No	n/a
City of Miner	Yes	Yes	No
Town of Augusta	Yes	No	No
Village of Haywood City	Yes	No	n/a
Village of Miramiguo Park	Yes	Yes	n/a
Village of Pasadena Park	Yes	Yes	Yes
Total Filed	9	5	4
Total Not Filed	1	5	2
Total N/A			4

n/a Entities without a municipal judge are not required to file a certification.

Appendix B
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in February 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
Fiscal Year Ended March 31, 2015			
City of East Prairie	** ²	** ^{1,2}	Yes
City of Jonesburg	No	Yes	***
City of Lexington	** ²	** ^{1,2}	Yes
City of Martinsburg	** ²	No	Yes
City of Oran	No	Yes	n/a
City of Osborn	**	Yes	n/a
City of Seymour	No	Yes	Yes
City of Velda Village Hills	**	** ¹	Yes
Village of Agency	** ²	Yes	n/a
Village of Sunrise Beach	No	Yes	Yes
Fiscal Year Ended April 30, 2015			
City of Alma	**	Yes	Yes
City of Risco	Yes	Yes	No
City of Lake Waukomis	Yes	No	No
Village of Ionia	No	Yes	n/a
Fiscal Year Ended June 30, 2015			
City of Albany	Yes	***	n/a
City of Arbyrd	**	***	Yes
City of Ava	***	Yes	Yes
City of Bella Villa	Yes	Yes ¹	**
City of Belle	No	Yes	**
City of Bismarck	No	Yes	Yes
City of Brunswick	No	Yes	n/a
City of Canton	**	***	Yes
City of Crocker	Yes	Yes ¹	No
City of Cuba	**	Yes	Yes
City of Doniphan	Yes	Yes	n/a
City of Garden City	**	***	Yes
City of Granby	Yes	No	No
City of Greenfield	Yes	Yes ¹	No
City of Hayti	**	** ¹	Yes
City of Herculaneum	No	Yes	Yes
City of Holden	Yes	***	n/a
City of Hurdland	**	Yes	n/a
City of Jamesport	**	Yes	n/a
City of King City	Yes	No	n/a
City of La Russell	Yes	Yes	n/a
City of Laddonia	No	No	Yes
City of Lawson	***	Yes	Yes
City of Lewistown	No	Yes	n/a
City of Linn Creek	***	*** ¹	Yes
City of Lone Jack	**	**	Yes

Appendix B
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in February 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification*
City of Malden	Yes	**	***
City of Miller	**	** ¹	Yes
City of Montgomery	Yes	***	***
City of Nelson	**	Yes	n/a
City of New Florence	Yes	***	***
City of Northmoor	**	Yes	Yes
City of Oakland	Yes	Yes	Yes
City of Owensville	Yes	**	**
City of Plattsburg	No	Yes	Yes
City of Purdy	**	Yes	Yes
City of Qulin	Yes	Yes	n/a
City of Richland	Yes	Yes	Yes
City of Salem	Yes	**	n/a
City of Salisbury	Yes	***	n/a
City of Scott City	**	** ¹	Yes
City of St. Thomas	Yes	No	n/a
City of Steele	**	** ¹	Yes
City of Steelville	No	Yes	n/a
City of Stover	***	Yes	Yes
City of Valley Park	Yes	**	**
City of Wayland	Yes	Yes ¹	n/a
City of Wellington	***	Yes	No
City of Wood Heights	Yes	No	**
Town of Brooklyn Heights	**	Yes	n/a
Village of Bigelow	**	Yes	n/a
Village of Birmingham	Yes	No	**
Village of Bull Creek	Yes	No	n/a
Village of Catron	**	Yes	n/a
Village of Glen Allen	No	Yes	n/a
Village of Wooldridge	**	Yes	n/a
Total Filed	26	40	28

* 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the SAO addendum and certification forms by cities, towns, or villages with a fiscal year end before August 28, 2015.

** Filed by the December 31, 2015, filing deadline.

*** Filed after the December 31, 2015, filing deadline, but before February 1, 2016.

1 The percent was calculated and presented in the financial report or separate document (not the SAO addendum form) or the entity indicated no court revenues were received.

2 Filed before August 28, 2015.

n/a Entities without a municipal judge are not required to file a certification.



Nicole Galloway, CPA
Missouri State Auditor

Boonville R-1 School District

Student Data Governance

March 2016

Report No. 2016-015



<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Cyber Aware Schools Audit of the Boonville R-1 School District

Background	The Boonville R-1 School District's Student Data Governance Audit was completed as part of the Cyber Aware School Audits Initiative. These audits are designed to assess the effectiveness of privacy and security controls with a focus on identifying practices to improve the security of information school districts have on students and their families. The district uses a student information system (SIS) to maintain student data and to track and monitor academic progress. The SIS maintains private and confidential data, such as social security numbers and assessment test scores. Additional systems and applications that maintain data are used for administrative functions and to enhance student productivity and classroom collaboration. The district relies extensively on computerized systems to support its educational and mission-related operations and on information security controls to protect the sensitive data residing on those systems. Auditors identified areas where improvements are needed but also found the district has developed certain controls to establish a safe environment for using technology, including promoting online safety, security, and confidentiality.
Data Governance	The district has not established a comprehensive data governance program, a critical task for any educational organization. A comprehensive program is necessary to ensure the confidentiality, integrity, availability, and quality of data. Without a formal program, the district cannot ensure that personally identifiable information (PII) is adequately protected and safe from unauthorized access, misuse, or inadvertent disclosure.
Security Controls	The district has not implemented necessary security controls, leaving technology assets, including PII, at risk of inappropriate access, use, and disclosure. The district has not formally appointed any specific personnel to serve as security administrator or formally assigned responsibility for creating, implementing, and maintaining security policies and procedures. Without documented and approved policies and procedures, management lacks assurance that security controls are appropriate and properly applied.
User Accounts	The district has not fully established controls for creating and maintaining user accounts for accessing system resources. Control activities range from requesting and establishing accounts to suspending or closing accounts. Additionally, periodic review of accounts and privileges is necessary to promote data security. Policies and procedures for maintaining user access to data and other system resources are not fully documented, and periodic reviews of users' privileges to ensure access remains aligned with job duties are not performed. Without appropriate account access policies and procedures, including periodically reviewing user access rights, users may be granted inappropriate or unauthorized access, which can provide opportunities for misuse or inappropriate disclosure of sensitive data.
Incident Response and Continuity Planning	The district has not taken all necessary measures to protect data in the event of a breach or other disruptive incident. The district has not formally documented policies and procedures for responding to security incidents, has not adopted a formal data breach response policy, and has not fully documented and tested a continuity plan. Without comprehensive incident response and breach-related policies, management may not be sufficiently

equipped to respond quickly and effectively to an incident or breach, increasing the risk of potential harm to the district or affected individuals. Without a tested and functional continuity plan, management has limited assurance the organization's business functions and computer processing can be sustained during or promptly resumed after a disruptive incident.

Security Awareness Program	The district has not established a formal security and privacy awareness training program. As education organizations implement more powerful information systems and become more reliant on electronic data, proactive security awareness programs become increasingly important. With proper security and privacy awareness training and clear communication of data and device use policies, employees can become the first line of defense against cybersecurity incidents. However, without adequate training, users may not understand system security risks and their role in implementing related policies and controls to mitigate those risks.
Vendor Monitoring	The district has not established a process for ensuring software acquired or outsourced from information technology vendors complies with data security principles. Additionally, the district cannot locate a written contract with the vendor of one of its key systems. Without an effective process for monitoring and managing risk of software acquisition or outsourcing, the district has less assurance in a vendor's ability to deliver services effectively, securely, and reliably and to ensure that services meet current and future data privacy and security needs.

Because of the nature of this report, no overall rating is provided.

All reports are available on our Web site: auditor.mo.gov

Boonville R-1 School District Student Data Governance

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Board of Education
Boonville R-1 School District

Due to increasing concerns for protecting the security and privacy of information schools maintain on students and the continued emergence of cyber threats, we have audited the Boonville R-1 School District's student data governance program in fulfillment of our duties under Chapter 29, RSMo. This audit was conducted as part of the State Auditor's Cyber Aware School Audits Initiative and focused on evaluating the effectiveness of the data governance program, including identifying cybersecurity safeguards and privacy controls that can help schools improve the security of student data.

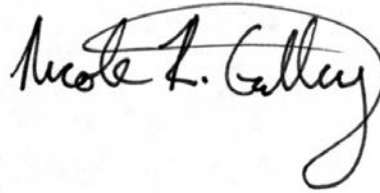
The objectives of our audit were to:

1. Evaluate the effectiveness of privacy plans and controls for safeguarding personally identifiable information.
2. Evaluate the effectiveness of information security controls for protecting the confidentiality, integrity, and availability of significant systems and information technology resources.
3. Evaluate compliance with certain legal provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) the need to fully establish certain privacy plans and controls, (2) the need to fully establish certain information security controls for protecting the confidentiality, integrity, and availability of significant systems and information technology resources, and (3) no significant noncompliance with legal provisions.

The accompanying Management Advisory Report presents our findings arising from our audit of the Boonville R-1 School District's student data governance program.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Jeffrey Thelen, CPA, CISA
In-Charge Auditor:	Patrick M. Pullins, M.Acct., CISA

Boonville R-1 School District Student Data Governance

Introduction

Background

The Boonville R-1 School District Student Data Governance Audit was completed as part of the Cyber Aware School Audits Initiative. These audits are designed to assess the effectiveness of privacy and security controls with a focus on identifying practices that improve the security of information school districts have on students and their families.

The district uses a student information system (SIS) to maintain student data and to track and monitor academic progress. The SIS maintains private and confidential data, such as social security numbers, assessment test scores, and other sensitive data. The district uploads various student data maintained in the SIS to the Department of Elementary and Secondary Education (DESE), Missouri Student Information System (MOSIS) Data Collection component periodically throughout the year. The MOSIS Data Collection component is used to collect student-level data from school districts for processing and reporting. Data submitted by the district includes elements such as enrollment and attendance, demographics, performance information, and college and career data used for evaluating the success and achievements of students. The district also uses a financial accounting system and a network management system for administering user access to various district resources. Other systems and applications are used for administrative functions and to enhance student productivity and classroom collaboration.

Cyber threats continue to emerge and evolve

As connectivity of business activity increases and organizations become increasingly dependent on technology, including computerized systems and electronic data, no school district is exempt from cyber threats, vulnerabilities, and privacy exposures. As a result, it is important to view information security and privacy as a business issue rather than strictly an information technology issue. Security threats, vulnerabilities, and privacy exposures challenge every organization, creating data protection and privacy risks that must be understood, addressed, and managed.

The National Institute of Standards and Technology (NIST) defines cybersecurity as the process of protecting information by preventing, detecting, and responding to attacks¹ while ISACA states cybersecurity encompasses all that protects enterprises and individuals from intentional attacks, breaches and incidents as well as the consequences.² Cybersecurity should be aligned with all other aspects of information security, including governance, management, and assurance. The state of being secure requires

¹ National Institute of Standards and Technology, Framework for Improving Critical Infrastructure Cybersecurity, Version 1, February 2014, is available at <<http://www.nist.gov/cyberframework/upload/cybersecurity-framework-021214-final.pdf>>.

² ISACA Cybersecurity Nexus, Transforming Cybersecurity, 2013, <<http://www.isaca.org/cyber>>.



Boonville R-1 School District Data Governance Introduction

maintenance and continuous improvement to meet the needs of stakeholders and the demands of emerging cyber threats.

In the 2015 High-Risk Series³ update, the Government Accountability Office (GAO) expanded the scope of the information security high-risk area to include protecting the privacy of personally identifiable information (PII).⁴ The GAO expanded this risk area due to the challenges of ensuring the privacy of PII created by advances in technology. Technology advances, such as lower data storage costs and increasing interconnectivity, have allowed both government and private sector agencies to collect and process extensive amounts of PII more effectively. Risks to PII can originate from unintentional and intentional threats. These risks include insider threats from careless, disgruntled, or improperly trained employees and contractors; the ease of obtaining and using hacking tools; and the emergence of more destructive attacks and data thefts.

Technology advances, combined with the increasing sophistication of individuals or groups with malicious intent, have increased the risk of PII being compromised and exposed. Correspondingly, the number of reported security incidents involving PII in both the private and public sectors has increased dramatically in recent years. At the same time, school districts are increasingly reliant on technology and information sharing to interact with students and parents and to deliver essential educational services. As a result, the need to protect information, including PII, against cyber threats is increasingly important.

The Privacy Rights Clearinghouse⁵ recorded breaches at kindergarten through grade 12 (K-12) educational institutions/school districts in the United States occurring during 2005 through 2015, potentially disclosing over 580,000 records of personal information.⁶ These breaches include only

³ Report GAO-15-290, Report to Congressional Committees, High-Risk Series An Update, February 2015, is available at <<http://www.gao.gov/assets/670/668415.pdf>>.

⁴ According to the Family Educational Rights and Privacy Act (FERPA), personally identifiable information (PII) includes, but is not limited to (a) the student's name; (b) the name of the student's parent or other family members; (c) the address of the student or student's family; (d) a personal identifier, such as the student's social security number, student number, or biometric record; (e) other indirect identifiers, such as the student's date of birth, place of birth, and mother's maiden name; and (f) other information that, alone or in combination, is linked or linkable to a specific student that would allow a reasonable person in the school community, who does not have personal knowledge of the relevant circumstances, to identify the student.

⁵ The Privacy Rights Clearinghouse is a nonprofit corporation whose mission is to engage, educate, and empower individuals to protect their privacy by raising awareness of how technology affects personal privacy.

⁶ Privacy Rights Clearinghouse, Chronology of Data Breaches, is available at <<http://www.privacyrights.org/data-breach>>. We downloaded a file containing all breaches and filtered the results to include only data breaches occurring at K-12 educational institutions.



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those made public and the data reflects three data breach incidents at Missouri public school districts.

Data governance

According to the U.S. Department of Education, Privacy Technical Assistance Center (PTAC),⁷ data governance is an organizational approach to data and information management that is formalized as a set of policies and procedures encompassing the full life cycle of data, from acquisition to use to disposal. It includes establishing policies, procedures, and standards regarding data security and privacy protection, data inventories, content and records management, data quality control, data access, and data sharing and dissemination. Establishing a comprehensive data governance program helps ensure confidentiality, integrity, and availability of data and information by reducing data security risks due to unauthorized access or misuse of data.

Security and privacy controls

According to accepted standards, security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system to protect the confidentiality, integrity, and availability of a system and its information. Confidentiality refers to preserving authorized restrictions on information access and disclosure, including the means for protecting personal privacy and proprietary information. Integrity relates to guarding against improper information modification or destruction, and availability ensures timely and reliable access to and use of information. Effective privacy controls depend on the safeguards employed within the information system that is processing, storing, and transmitting PII and the environment in which the system operates. Organizations cannot have effective privacy without a basic foundation of information security. Without proper safeguards and controls, information systems and confidential data are vulnerable to individuals with malicious intentions who can use access to obtain sensitive data or disrupt operations.

Laws and regulations

Various federal and state laws and regulations pertain to the protection of sensitive student data, including the Family Educational Rights and Privacy Act (FERPA), the Individuals with Disabilities Education Act (IDEA), and the Protection of Pupil Rights Amendment (PPRA). Additionally, Section 161.096, RSMo, requires the State Board of Education to promulgate a rule regarding "student data accessibility, transparency, and accountability."⁸

Controls established

The district has an important responsibility for maintaining the privacy of student data and for implementing and maintaining information security

⁷ U.S. Department of Education, Privacy Technical Assistance Center, Data Governance Checklist, is available at <<https://nces.ed.gov/programs/ptac/pdf/data-governance-checklist.pdf>>.

⁸ 5 CSR Section 20-700.100



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controls. The district relies extensively on computerized systems to support its educational and mission-related operations and on information security controls to protect the sensitive data residing on those systems. While we found areas where improvements are needed, as discussed in the Management Advisory Report, we also found the district has established:

- A technology usage policy to facilitate access to district technology and to create a safe environment for using the technology, including promoting online safety, security, and confidentiality.
- Policies and procedures, including applicable parent/student forms, required to be in compliance with the FERPA data disclosure and usage provisions.
- The controls and processes required to be in compliance with the Children's Internet Protection Act (CIPA).
- Certain controls designed to help ensure the privacy of data and to help ensure the confidentiality, integrity, and availability of significant systems and data maintained on those systems.

Cyber threats will continue to challenge operational resilience and business continuity preparedness. School districts can reduce the risks of breaches by remaining aware of emerging cyber threats and consider the potential impact to operational resilience.

Scope and Methodology

The scope of our audit included the Boonville R-1 School District's approach to data governance, including information security, privacy, and other relevant internal controls; policies and procedures; and other management functions and compliance issues in place.

Our methodology included reviewing written policies and procedures, and interviewing various district personnel. We obtained an understanding of the data governance approach and applicable controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violation of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We obtained a list of district employees as of September 2015 from the district's accounting system. We matched these records to the user account records from the district's student information system, financial accounting system, and network management system to determine if any terminated employees had active accounts. We also matched these records to users of



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the DESE statewide data collection systems. No terminated employees with active accounts were identified. Although we used computer-processed data from these systems for our audit work, we did not rely on the results of any processes performed by these systems in arriving at our conclusions. Our conclusions were based on our review of the issues specific to the audit objectives.

We based our evaluation on accepted state, federal, and international standards; policies and procedures; and best practices related to information technology security and privacy controls from the following sources:

- National Institute of Standards and Technology (NIST)
- Government Accountability Office (GAO)
- ISACA (previously known as the Information Systems Audit and Control Association)
- U.S. Department of Education, Privacy Technical Assistance Center (PTAC)⁹

⁹ According to its web site, the U.S. Department of Education established the PTAC as a "one-stop" resource for education stakeholders to learn about data privacy, confidentiality, and security practices related to student-level longitudinal data systems. The PTAC provides information and guidance on privacy, confidentiality, and security practices through a variety of resources. PTAC information is available at <<http://nces.ed.gov/programs/ptac>>.

Boonville R-1 School District Student Data Governance Management Advisory Report State Auditor's Findings

1. Data Governance

The district has not established a comprehensive data governance program. As a result, there is less assurance the data management and protection procedures in place are effective in reducing data privacy and security risks due to unauthorized access or misuse of data.

According to the U.S. Department of Education, Privacy Technical Assistance Center (PTAC), data governance is necessary to ensure the confidentiality, integrity, availability, and quality of data. Establishing a data governance program is a critical task for any educational organization. An effective program requires establishing decision-making authority, defining policies and practices for the protection of sensitive data, identifying and gaining support of stakeholders, implementing the program, and monitoring its success. By clearly establishing policies, standard procedures, responsibilities, and controls for data activities, a data governance program helps to ensure that information is collected, maintained, used, and disseminated in a manner that protects privacy, confidentiality, and security, while allowing educational organizations to meet their missions.

During our review of the district's data governance approach, we found improvements are needed in the following component areas:

- Responsibility for data management
- Data stewardship
- Inventory and classification of data
- Source and content of data
- Monitoring unauthorized disclosure of personally identifiable information (PII)
- Archival and/or destruction of data at the end of its lifecycle

The district has not formally assigned responsibility for management of the district's data. Assigning appropriate levels of authority to data stewards and proactively defining the scope and limitations of that authority is a prerequisite to successful data management.

The district has not developed a formalized data stewardship plan documenting policies and procedures to protect student data. Adopting and enforcing clear policies and procedures in a written data stewardship plan is necessary to ensure that everyone in the organization understands the importance of data quality and security, and that staff are motivated and empowered to implement data governance.

The district does not maintain an inventory of data files, data elements maintained in those files, and the criticality or sensitivity of the data. Conducting an inventory of all data that require protection is a critical step for data security projects. Maintaining an up-to-date inventory of all



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sensitive records and data systems, including those used to store and process data, enables the organization to target its data security and management efforts. Classifying data by level of sensitivity helps the data management team recognize where to focus security efforts.

The district has not formally identified the source and content of elements within the data files maintained by the district. Closely managing data content, including identifying the purposes for which data are collected, is necessary to justify the collection of sensitive data, optimize data management processes, and ensure compliance with federal, state, and local regulations.

The district has not implemented a monitoring process to detect unauthorized disclosures of PII within its custody. Ensuring the security of sensitive and personally identifiable data and mitigating the risks of unauthorized disclosure of these data is a top priority for an effective data governance program.

The district has not adopted a formal policy regarding the archival or destruction of data at the end of its lifecycle. While some data may need to be maintained indefinitely according to various laws and regulations, other data may become unnecessary or irrelevant when a student graduates or otherwise leaves the district, and can be destroyed when no longer needed. Planning for data archival or destruction is an integral part of a high quality data governance program, according to the U.S. Department of Education, PTAC. Data destruction is the process of removing information in a way that renders it unreadable (for paper records) or irretrievable (for digital records). Establishing policies and procedures governing the archival or destruction of data allows an organization to more efficiently and safely protect its data and is a critical component of an effective data governance program.

Without a formal data governance program, the district cannot ensure that PII maintained by the district is adequately protected and safe from unauthorized access, misuse, or inadvertent disclosure.

Recommendation

The district should establish and implement a formal data governance program encompassing the full life cycle of data, from acquisition to use to disposal.

Auditee's Response

The district concurs with the recommendation and will develop and implement a data governance program by July 31, 2016.



2. Security Controls

The district has not implemented all necessary security controls, leaving district technology assets, including PII, at risk of inappropriate access, use, and disclosure.

Logical security is the use of computer hardware and software to prevent or detect unauthorized access to systems, including the data therein. Logical security most often takes the form of user accounts and passwords, but also includes location and network based controls and security hardware, such as firewalls. Physical security is the protection of technology resources, including computers and network servers, from theft or damage. Physical security makes technology resources physically unavailable to unauthorized users and can include locked rooms and cabinets, periodic inventories of technology assets, and other measures to protect assets from unauthorized access.

2.1 Security administrator

The district has not formally appointed any specific personnel to serve as security administrator or formally assigned responsibility for creating, implementing, and maintaining security policies and procedures.

Accepted guidance from the U.S. Department of Education, PTAC states that organizations should develop comprehensive plans outlining organization policies and standards regarding data security and individual privacy protection. Such plans should clearly identify staff responsibilities for maintaining data security and empower employees by providing tools they can use to minimize the risks of unauthorized access to PII.

The district's information technology director and assistant information technology director have informally been tasked with maintaining the security of the district's technology resources and data. However, without a formal designation of staff responsible for security administration, there is increased risk that security policies and procedures may not be adequately designed, documented, implemented, and updated.

2.2 Password expiration

The district had not established adequate password controls to reduce the risk of unauthorized access to computers and data. Passwords are required to authenticate network access, however, network passwords were not required to be periodically changed.

The network management system allows administrators to specify the maximum length of time that a password may be used. After this maximum time, a user is required to change his/her password. However, the policy implemented by the district did not specify an maximum length of time, which allowed users to have non-expiring passwords that did not have to be changed. After we brought this issue to management's attention, district personnel corrected this weakness.



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Allowing accounts to have non-expiring passwords greatly increases the risk of an account password becoming known by someone other than the account owner, which may result in inappropriate access to and misuse of sensitive district information.

2.3 Access controls

The district has not fully established policies and procedures regarding user access to systems and data. As a result, certain access controls needed to protect systems have not been implemented.

Logon banners

The district does not display logon banners to users accessing district systems and data.

Logon banners should display information to system users regarding applicable privacy and security notices and required compliance with applicable laws, regulations, and policies. According to accepted standards, logon banners should state that a user is accessing a district provided information system; that usage of the system may be monitored, recorded, and subject to audit; that unauthorized use of the system is prohibited and may be subject to criminal and civil penalties; and that use of the system constitutes agreement with the terms. Without a displayed logon banner, users may not be informed or aware of the authorized or appropriate use of the system and data.

Concurrent users

The district has not established controls to restrict concurrent access to district systems.

Concurrent session controls prevent a single user from accessing an information system from more than a specified number of locations at any given time. These controls help prevent unauthorized users from accessing the system by masquerading as an authorized user.

According to accepted standards, the number of concurrent sessions for a user should be limited. Without limiting access from multiple locations at the same time, management may not be able to ensure the confidentiality, integrity, and availability of data and the system.

2.4 Security logs

The district has not formally documented policies and procedures to identify the types of security events to be logged and monitored. As a result, there is less assurance that detected and logged security incidents are properly investigated and resolved.

The internal security policies within the district's network management system log thousands of entries each day. A majority of these entries, such as notification of successful login by system users, are of minimal use for security purposes. According to district staff, the network management system default logging settings are used. Because the district has not



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customized these settings regarding which events are logged, the security logs are voluminous and cannot effectively be monitored for unusual or suspicious activity.

The district should establish relevant criteria and identify significant system events that should be logged. At a minimum, all such significant events, including access to and modification of sensitive or critical system resources, should be logged. Also, logging should include appropriate information to facilitate monitoring of such significant system events.

Without an effective method to identify, log, and monitor significant security-relevant events, the district is at increased risk that unauthorized or inappropriate system activity may not be detected.

2.5 Physical security

The district has not fully established physical security controls to ensure protection of technology resources. We noted the following risks:

- Responsibility for physical security of technology resources has not been formally assigned.
- A documented policy for physical access to technology resources, including who can be authorized access to restricted or sensitive areas, has not been established.
- Keys to access restricted areas were not adequately controlled and spare keys were not properly monitored.

The effectiveness of physical security controls depends on the effectiveness of the organization's policies and practices pertaining to the overall facility and to areas housing sensitive information technology components. Without adequate physical security controls, the district is at risk the physical infrastructure of the computer network could be accidentally or maliciously damaged, destroyed, or lost; causing significant issues for the district.

2.6 Documentation of security controls

The district has not documented policies and procedures for certain security controls.

According to the Government Accountability Office (GAO) standards for internal control, control activities are an integral part of an organization's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives and helps ensure that actions are taken to reasonably address risks. The following control activities, including policies and procedures, have not been documented:

- User identification and password requirements for users accessing district technology resources.



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- Resetting lost or compromised passwords.
- Policies regarding which security groups system users may be assigned to, along with the access rights granted each group.
- Policies describing who may be granted privileged access to district systems.
- Notifying security administrators of the need to disable accounts for users terminating employment.

According to accepted standards, documentation of all aspects of computer support and operations is important to ensure continuity and consistency. Formalizing operational practices and procedures with sufficient detail helps to eliminate security lapses and oversights, gives new personnel sufficiently detailed instructions, and provides a quality assurance function to help ensure that operations will be performed correctly and efficiently.

Without documented and approved policies and procedures, management may not have assurance that control activities are appropriate and properly applied.

Recommendations

The district:

- 2.1 Formally appoint a security administrator who is responsible for developing and maintaining district security policies and procedures.
- 2.2 Ensure passwords are periodically changed to prevent unauthorized access to computers and data.
- 2.3 Fully establish access control policies and procedures by implementing logon banners for district systems to indicate appropriate use and by establishing security controls limiting the number of concurrent sessions for a single user.
- 2.4 Establish and document criteria for identifying which security events should be written to audit logs and monitored and investigated as security incidents.
- 2.5 Formally document responsibility for physical protection of technology resources and develop policies and procedures to effectively restrict physical access. In addition, access to district technology resources should be restricted to those employees who need access to perform job duties.
- 2.6 Fully document and periodically review security policies and procedures.



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Auditee's Response

- 2.1 *The district concurs with the recommendation and the administrator has been appointed by the Superintendent per Board Policy EHBC.*
- 2.2 *The district concurs with the recommendation and has created district password requirements and security procedures.*
- 2.3 *The district concurs with the recommendation and has implemented login banners for district systems. The district is evaluating options for limiting concurrent sessions and will have a system in place by July 31, 2016.*
- 2.4 *The district concurs with the recommendation and will create and implement a security auditing and response procedure by July 31, 2016.*
- 2.5 *The district concurs with the recommendation and has assigned the responsibility to the district security administrator. Policies and procedures for physical access will be developed and implemented by July 31, 2016.*
- 2.6 *The district concurs with the recommendation and will fully document security policies and procedures by July 31, 2016. The policies and procedures will be reviewed annually.*

3. User Accounts

The district has not fully established controls for the creation and maintenance of user accounts for accessing system resources.

3.1 Account requests

The district has not formally documented policies and procedures for requesting, establishing, and maintaining user access to data and other system resources. Additionally, a standard user access request form is not used to document the request and approval process.

User account control activities include requesting, establishing, issuing, suspending, modifying, closing, and periodically reviewing user accounts and related user privileges, according to accepted standards. To adequately control accounts, an organization should establish policies and procedures for authorizing and maintaining all user accounts, including system administrators. These policies and procedures should cover user access needed for routine operations, emergency access, and the sharing and disposition of data with individuals or groups outside the organization.

Accepted standards also require access authorizations to be documented on standard forms, approved by resource owners, and listings of authorized users to be maintained. A formal process for transmitting these authorizations should be established to reduce the risk of mishandling, alterations, and misunderstandings.



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Without appropriate account access policies and procedures, users may be granted inappropriate or unauthorized access, which can provide opportunities for misuse or inappropriate disclosure of sensitive data.

3.2 Inactive account monitoring

The district does not proactively monitor for user accounts that have not been accessed or used for a specified period of time.

Inactive accounts can indicate users no longer need the access privileges provided by the accounts and may be attractive targets for individuals attempting to gain unauthorized access since the account owners may not notice illicit activity on the accounts, according to the GAO. Without appropriate monitoring, security administrators are less likely to identify user accounts that had not been accessed or used for a specified period of time.

3.3 Review of user access

The district does not perform periodic reviews of users' access to data to ensure access remains appropriate and aligned with job duties.

As users' work assignments and job responsibilities change, access rights to district systems may be added, changed, or removed. Over time, users can accumulate access rights that are no longer necessary, increasing the risk of inappropriate access to district data.

Without periodically reviewing user access rights, there is an increased risk that unauthorized alterations of the rights will go undetected or that access rights may not be aligned with current job duties.

Recommendations

The district:

- 3.1 Establish and document formal policies and procedures, including requiring standard forms, for requesting, approving, and maintaining access to systems.
- 3.2 Periodically monitor user account access to identify and evaluate inactive accounts.
- 3.3 Periodically review user access to data and other information resources to ensure access rights remain appropriate and are commensurate with job duties and responsibilities.

Auditee's Response

- 3.1 *The district concurs with the recommendation and has created a form and a request process for staff member account creation, modification, and deletion which includes access levels.*
- 3.2 *The district concurs with the recommendations and has created a procedure and schedule for periodic inactive account reviews.*



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3.3 *The district concurs with the recommendation and has created a procedure and schedule for periodic review of user access rights and permissions.*

4. Incident Response and Continuity Planning

4.1 Incident response documentation

The district has not taken all necessary measures to protect data in the event of a breach or other disruptive incident. The district does not have a complete incident response plan, has not adopted a formal data breach response policy, and has not fully documented and tested a continuity plan.

The district has not formally documented policies and procedures for responding to security incidents.

According to accepted standards, a security incident is an occurrence that actually or potentially jeopardizes the confidentiality, integrity, or availability of an information system or the information the system processes, stores, or transmits or that constitutes a violation or imminent threat or violation of security policies, security procedures, or acceptable use policies. After an incident has been identified, appropriate action should be taken to identify and remedy the control weakness that allowed the violation to occur, repair any damage that has been done, and determine and discipline the perpetrator. It is important that an organization have formal written procedures for reporting security violations or suspected violations to a central security management office so that multiple related incidents can be identified, other employees alerted to potential threats, and appropriate investigations can be performed.

Without prompt and appropriate responses to security incidents, violations could continue to occur and cause damage to an organization's resources indefinitely. Further, violators will not be deterred from continuing inappropriate access activity, which could result in disclosure of confidential information and financial losses.

4.2 Data breach response policy

The district has not established a comprehensive data breach response policy. Implementing a data breach response policy is an essential step in protecting the privacy of student data.

A data breach is a security incident in which sensitive or confidential data, such as PII, has potentially been accessed, stolen, or used by an unauthorized individual. While the Family Educational Rights and Privacy Act (FERPA) does not contain specific breach notification requirements, the law requires recording of each data disclosure incident in the applicable record. However, the U.S. Department of Education, PTAC recommends all educational organizations create a data breach response policy, approved by the organization's leadership, that is germane to its environment. The policy should establish goals for the response process and include the definition of a breach, staff roles and responsibilities, as well as reporting, remediation,



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and feedback mechanisms. The policy should be well publicized and made easily available to all personnel whose duties involve data privacy and security protection.

Documenting and formalizing operational practices and procedures with sufficient detail helps to eliminate security lapses and oversights, gives new personnel sufficiently detailed instructions, and provides a quality assurance function to help ensure operations will be performed correctly and efficiently, according to accepted standards.

Without a comprehensive data breach response policy, management may not be sufficiently equipped to respond quickly and effectively in the event of a breach, increasing the risk of potential harm to affected individuals.

4.3 Continuity planning

The district has not documented and tested a complete continuity plan. Individuals responsible for carrying out those duties have not received formal training.

Elements of a continuity plan the district has not documented include:

- Priorities and procedures for the restoration of critical systems and data.
- Identification of persons responsible for restoration of specific systems and data.
- Formal identification of the resources and data included in the district's backups.

Additionally, while the district does backup data on a regular basis, a comprehensive test of backups to ensure that data can be successfully recovered in the event of a disaster has not been performed.

According to accepted standards, a continuity plan or suite of related plans should be developed for restoring critical business functions and applications. The plans should include arrangements for alternative processing facilities in case the usual facilities are significantly damaged or cannot be accessed. Staff should be trained and aware of their responsibilities to prevent, mitigate, and respond to emergency situations. For example, information security support staff should receive periodic training in emergency fire, water, and alarm incident procedures; and specific responsibilities for initiating and running an alternate data processing site.

Additionally, testing continuity plans is essential for determining whether the plans will function as intended in an emergency situation. The most useful scenarios involve simulating a disaster situation to test overall service continuity. Such an event would include testing whether the alternative data processing site will function as intended and whether critical computer data



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and programs recovered from off-site storage are accessible and current. Moreover, tests will assess how well employees have been trained to carry out their roles and responsibilities in a disaster situation. Any testing of a continuity plan is likely to identify weaknesses in the plan, and it is important the plan and related supporting activities, such as training, be revised to address these weaknesses. Otherwise, the benefits of the testing will be mostly lost.

Without a tested and functional continuity plan, management has limited assurance the organization's business functions and computer processing can be sustained during or promptly resumed after a disruptive incident.

Recommendations

The district:

- 4.1 Establish and document an incident response plan that includes centrally tracking all security incidents.
- 4.2 Formally document and adopt a comprehensive data breach response policy to promote an appropriate response in the event of a breach of protected student data.
- 4.3 Develop a comprehensive continuity plan and formally assign responsibilities for development, implementation, and maintenance of the plan to appropriate personnel. Once established, ensure the plan is tested on a periodic basis.

Auditee's Response

- 4.1 *The district concurs with the recommendation and will develop an incident response plan by July 31, 2016.*
- 4.2 *The district concurs with the recommendation and will develop a data breach response policy by July 31, 2016.*
- 4.3 *The district concurs with the recommendation and will develop a continuity plan by July 31, 2016.*

5. Security Awareness Program

The district has not established a formal security and privacy awareness training program. As education organizations implement more powerful information systems and become more reliant on electronic data, proactive security awareness programs become a priority. Uninformed users are a major threat to data security in education organizations.

According to accepted standards, the purpose of computer security awareness, training, and education is to (1) enhance security by improving awareness of the need to protect system resources and developing skills and knowledge so computer users can perform their jobs more securely; and (2) build in-depth knowledge, as needed, to design, implement, or operate



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security programs for organizations and systems. Additionally, guidance from the U.S. Department of Education, PTAC encourages organizations to provide security training on a recurring basis, communicate privacy policies to users, and define a process for reporting privacy incidents and complaints.

Making computer system users aware of their security responsibilities and teaching them correct practices helps users change their behavior. Awareness training also supports individual accountability, which is one of the most important ways to improve computer security. With proper security and privacy awareness training and clear communication of data and device use policies, employees can become the first line of defense against cybersecurity incidents. However, without adequate training, users may not understand system security risks and their role in implementing related policies and controls to mitigate those risks.

Recommendation

The district establish a formal security and privacy awareness training program.

Auditee's Response

The district concurs with the recommendation. A security and privacy awareness training program will be mandatory for all staff prior to the beginning of the school year.

6. Vendor Monitoring

The district has not established a process for ensuring software acquired or outsourced from information technology vendors complies with data security principles. Additionally, the district cannot locate a written contract with the vendor of one of its key systems.

The district utilizes software products from a number of vendors to manage financial information, human resources data, student data, and other information. Generally, the district pays an annual licensing/maintenance fee for these products. Depending on the arrangement, some products are installed on district-owned equipment and maintained by district personnel (with additional support from the vendor), while others are hosted and maintained directly by the vendor. In this case, district personnel access the system remotely, typically via a secure website.

We reviewed contracts for several systems or software products used by the district. Although the specific language varied, each contract had a clause stating the vendor would provide appropriate security functionality for the district. However, district staff indicated they had not asked any vendors to provide documentation that their product's security functionality met generally accepted industry standards.

Additionally, the district could not locate documentation of the contract for one critical system. District staff indicated the system was implemented



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many years ago and has been updated since then, however the only documentation the district or the vendor could locate were annual maintenance invoices. As a result, the district cannot ensure the vendor is supplying services required by the contract, or that the annual maintenance fees are in compliance with the negotiated contract.

Accepted standards require organizations to periodically review the overall performance of vendors, compliance to contract requirements, and value for money, and address identified issues. Without an effective process for monitoring and managing risk of software acquisition or outsourcing, the district has less assurance in a vendor's ability to deliver services effectively, securely, and reliably and to ensure that services meet current and future data privacy and security needs.

Recommendation

The district should develop procedures to formally monitor information technology vendors to ensure the district's data is properly protected and the vendor acts in accordance with contract terms and conditions.

Auditee's Response

The district concurs with the recommendation and will include this issue in the district data governance program.

Boonville R-1 School District Student Data Governance Organization and Statistical Information

The Boonville R-1 School District is located in Cooper County.

The district operates a senior high school (grades 9-12), a middle school (grades 6-8), an elementary school (grades 3-5), a primary school (grades pre-kindergarten-2), and a technical center. Enrollment was 1,546 for the 2014-2015 school year. The district employed 323 full- and part-time employees at June 30, 2015.

School Board and Key Personnel

An elected school board serves as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at June 30, 2015, were:

Charlie Melkersman, President
Dr. Richelle Kluck, Vice President
Dr. James Gann, Treasurer
Dan Horst, Member
Dr. Kristi Smalley, Member
Jason Polk, Member
Pat Zeitlow, Member

Dr. Mark Ficken serves as District Superintendent. Kevin Carpenter is the district's Director of Information Technology, and Julie Kueckelhan is the Assistant Director of Information Technology.



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Missouri State Auditor

State of Missouri

Single Audit

Year Ended
June 30, 2015

March 2016
Report No. 2016-016



<http://auditor.mo.gov>



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the Fiscal Year 2015 Statewide Single Audit

Single Audit Background

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Act requires an audit of the state's financial statements and its use of federal awards.

The state spent \$11.55 billion in federal awards through 303 different federal programs during the state fiscal year ended June 30, 2015. Although 19 state agencies and other state offices expended federal awards, 4 state agencies expended the majority of the federal awards (91 percent). For state fiscal year 2015, our Single Audit involved audit work on 17 major federal programs at 9 state agencies, encompassing \$8.8 billion (77 percent) of the total federal awards spent. The audit report contains 1 financial statement finding and 18 federal award findings and related recommendations. Of these findings 10 were repeated from prior Single Audits. Several of these findings are summarized below.

Financial Reporting Controls STO

The Office of State Treasurer (STO) lacks adequate procedures to ensure the accuracy of year-end financial data submitted to the Office of Administration-Division of Accounting (DOA). The total balance reported to the DOA for bank deposits held by the STO would have been understated by \$753.2 million in the note disclosures accompanying the state's financial statements for the year ended June 30, 2015, had the misstatement not been identified during our audit. In addition, total cash and cash equivalents would have been overstated by \$214.4 million, and total investments would have been understated by \$214.4 million in the financial statements, had a classification error in the preparation of a summary of the STO year-end financial data not been identified during the audit.

Child Care Eligibility, Payments, and Provider Eligibility DSS

As noted in our five prior audit reports, significant weaknesses still exist in Department of Social Services (DSS) controls over Child Care Development Fund eligibility and provider payments. Eligibility documentation was not sufficient to support a valid need for child care for 12 percent of cases reviewed, income eligibility information did not match income used for eligibility determinations for 3 percent of cases reviewed, and 30 percent of payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. In addition, one provider improperly claimed absences on a holiday the center was closed after exhausting their annual allotment of 11 holidays per state fiscal year.

The DSS lacks adequate controls and procedures to ensure "four-or-less" child care providers comply with requirements for license-exempt status. Under state law, child care providers are exempt from licensing requirements if they care for four or less unrelated children, known as "four-or-less" (FOL) providers. For 43 percent of FOL providers reviewed, the DSS incorrectly classified some children as related to the provider or could not verify the relationship for some children classified as related to the provider.

Social Services Block Grant Subrecipient Monitoring DSS	The DSS has not established adequate controls and procedures to monitor Caring Community Partnerships (CCPs) for compliance with Social Services Block Grant (SSBG) requirements. Grant agreements do not mention the SSBG as a funding source, include or refer to the requirements of the SSBG, or include the identifying grant award information. During reviews of quarterly reimbursement requests and on-site visits, DSS staff do not review for CCP compliance with SSBG requirements.
Medicaid Management Information System Access DSS	The DSS-MO HealthNet Division does not have sufficient controls in place over Medicaid Management Information System (MMIS) access rights to ensure user accounts are timely removed from the system when users are no longer employed in positions needing access. Of the 25 active MMIS user accounts tested, auditors found 4 (16 percent) accounts for individuals who had terminated employment from the DSS or from a contractor. Access for these 4 accounts had not been removed although the individuals had been terminated for 8 to 35 months. In an additional review of contractor access, auditors identified 2 contractors with 23 active MMIS user accounts for employees, although their contracts had expired in 2010 and 2014.
Cost Pool Allocation Procedures DSS	The DSS-Division of Finance and Administrative Services lacks sufficient controls and procedures over the allocation of some administrative costs to federal programs. During a review of cost allocation spreadsheets, auditors identified Guardianship Assistance program costs totaling approximately \$542,710 that were improperly allocated to four federal programs.
Medicaid Developmental Disabilities Comprehensive Waiver Group Home Rates DMH	The Department of Mental Health-Division of Developmental Disabilities (DD) did not retain documentation to support per diem rates paid to group homes for residential habilitation services provided to participants of the Home and Community Based Services, Developmental Disabilities Comprehensive Waiver program. Documentation to support the per diem rates was not retained for all 13 group home habilitation services payments tested; as a result, the DD could not demonstrate amounts paid were allowable costs of the Comprehensive Waiver program. The federal share of payments to group homes using the 13 unsupported per diem rates totaled \$658,501 during state fiscal year 2015.
Department of Homeland Security Grants - Subrecipient Monitoring DPS	The Department of Public Safety (DPS)-State Emergency Management Agency (SEMA) and the Office of Director (OD) need to improve controls and procedures to monitor subrecipients of Department of Homeland Security programs. The SEMA and the OD have not established procedures to identify and ensure applicable subrecipients obtained independent Single Audits as required and did not document that Single Audit reports received were reviewed. For some projects, the SEMA did not adequately monitor or enforce existing policies to ensure subrecipients complied with procurement requirements. In addition, the SEMA does not have effective procedures to ensure Disaster Grants-Public Assistance program subrecipients submit quarterly progress reports, extension requests, and/or reimbursement requests within the required timeframes. As a result, the SEMA had not received reimbursement requests and progress reports from one subrecipient for projects totaling over \$8 million, which were completed 2 to 4 years ago.

Because of the compound nature of this audit report, no overall rating is provided.

All reports are available on our Web site: auditor.mo.gov

STATE OF MISSOURI
SINGLE AUDIT

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Common Abbreviations

ARRA	American Recovery and Reinvestment Act of 2009
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CSR	Code of State Regulations
OMB	Office of Management and Budget
RSMo	Missouri Revised Statutes
SAM II	Statewide Advantage for Missouri
U.S.C.	United States Code

INTRODUCTION AND SUMMARY

STATE OF MISSOURI
INTRODUCTION AND SUMMARY
YEAR ENDED JUNE 30, 2015

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The U.S. Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to set forth standards for obtaining consistency and uniformity among federal departments for the audit of non-federal entities expending federal awards. A single audit requires an audit of the state's financial statements and expenditures of federal awards. The audit is required to determine whether:

- The state's basic financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
- The state has adequate internal controls to ensure compliance with federal award requirements.
- The state has complied with the provisions of laws, regulations, and contracts or grants that could have a direct and material effect on federal awards.

The Single Audit includes the federal awards expended by all state agencies that are part of the primary government. The audit does not include the public universities and other component units. They have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended \$11.55 billion in federal awards during the state fiscal year ended June 30, 2015.

Summary of Single Audit Results

Financial Statements

We issued a qualified opinion on the governmental activities and the General Fund of the state of Missouri's financial statements because we were not allowed access to tax returns and related source documents for income taxes.

We reported one finding related to an internal control deficiency at the Office of State Treasurer (STO) that we consider to be a material weakness. The STO's response to the finding is included in this report.

Federal Awards

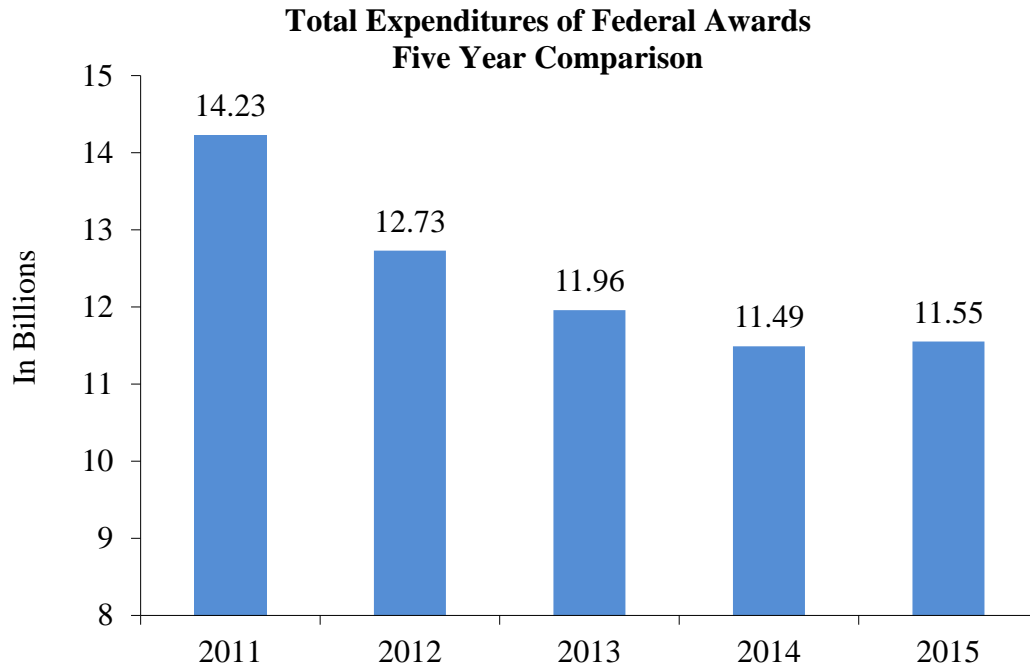
We audited 17 major federal programs with expenditures totaling approximately \$8.8 billion, administered by 9 state agencies.

We issued a qualified opinion on 4 major programs and an unmodified opinion on 13 major programs. A qualified opinion is issued when the audit of a major program detects material noncompliance with direct and material compliance requirements. A qualified opinion was issued on the following major programs, each administered by the Department of Social Services:

Child Care Development Fund Cluster
Social Services Block Grant
Children's Health Insurance Program
Medicaid Cluster

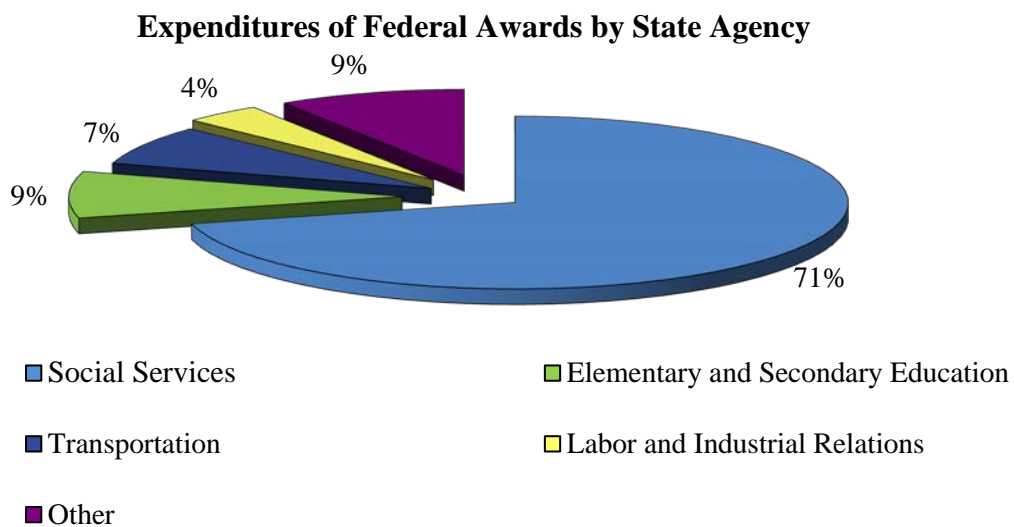
In total, we reported 18 findings related to 10 major programs at 4 state agencies. Of these findings, 10 were repeated from prior Single Audits.

The state agencies' responses to the federal awards findings are included in this report. The state agencies prepared a corrective action plan for each finding. The corrective action plans were submitted to the Office of Administration.

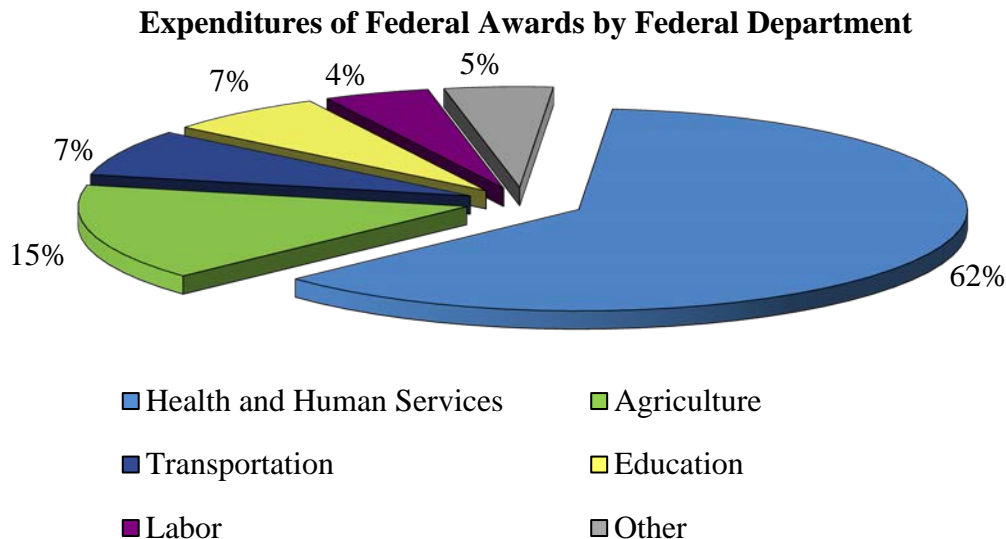


Expenditures of federal awards were significantly higher in state fiscal year 2011 due to additional federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA). The majority of ARRA funds were expended by the end of state fiscal year 2012; however, a few programs continued to have ARRA expenditures in state fiscal year 2015.

Although 19 state agencies and other state offices expended federal awards, 4 state agencies expended the majority of the federal awards (91 percent) during state fiscal year 2015.



The state received federal awards from 23 federal departments. Most of the federal awards (95 percent) came from 5 federal departments.

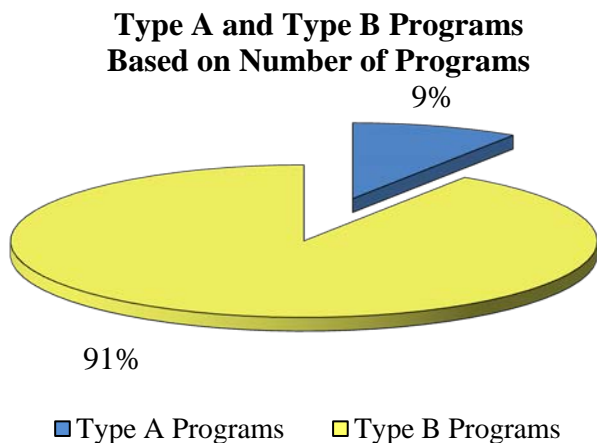


Overall, the state expended federal awards in 303 different programs. These programs are listed in the accompanying Schedule of Expenditures of Federal Awards. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold of a Type A program as the larger of \$30 million or fifteen-hundredths of one percent (0.0015) of federal awards expended.

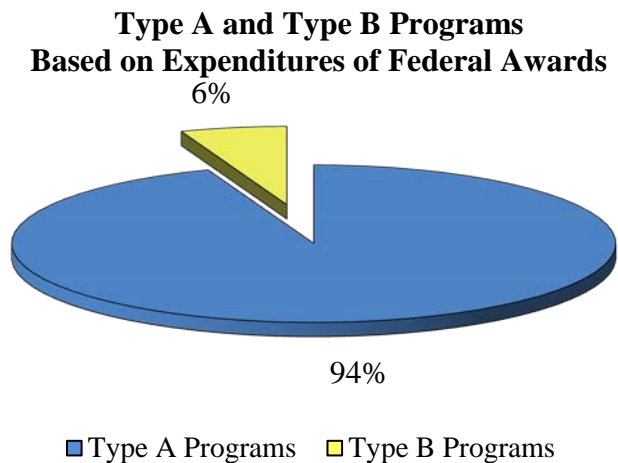
Determination of Type A Programs

Larger of:		\$30,000,000
		or
Total expenditures of federal awards	11,550,506,417	
Fifteen-hundredths of one percent	<u>.0015</u>	
		17,325,760
Dollar Threshold		<u>\$30,000,000</u>

Programs with federal expenditures over \$30 million are Type A programs and programs under \$30 million are Type B programs. Of the 303 federal programs, 28 were Type A programs and 275 were Type B programs.



The 28 Type A programs had expenditures totaling approximately \$10.9 billion, which was 94 percent of the total expenditures for all programs. The 275 Type B programs had expenditures totaling approximately \$658 million, which was only 6 percent of the total expenditures for all programs.



OMB Circular A-133 requires the auditor to perform risk assessments on Type A programs and to audit as major each Type A program assessed as high risk based on various risk factors. We performed a risk assessment on each Type A program and determined 12 of the 28 Type A programs were low risk and did not need to be audited as major. In accordance with OMB Circular A-133, we audited as major the 16 Type A programs assessed as high risk.

OMB Circular A-133 also requires the auditor to perform risk assessments on the larger Type B programs to determine which programs to audit as major in place of the Type A programs which were not audited as major. The dollar threshold to determine the larger Type B programs is

three-hundredths of one percent (.0003) of total awards expended (\$11.55 billion times .0003 = \$3,465,152). We performed risk assessments on the 48 larger Type B programs and determined 2 were high risk. In accordance with OMB Circular A-133, we audited as major one (at least one-half) of these two high risk Type B programs. The programs audited as major are listed in Section I - Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. In total, we audited 77 percent of total state fiscal year 2015 federal expenditures.

Major and Non-major Programs

Type of Programs	Number of Programs	Expenditures	Percentage of Expenditures
<u>Programs Audited</u>			
Type A major programs	16	\$ 8,835,231,256	
Type B major programs	<u>1</u>	<u>6,384,774</u>	
Total major programs	17	\$ 8,841,616,030	77%
<u>Programs not Audited</u>			
Type A non-major programs	12	\$ 2,057,222,846	
Type B non-major programs	<u>274</u>	<u>651,667,541</u>	
Total non-major programs	286	\$ 2,708,890,387	23%
Total programs	303	\$ 11,550,506,417	100%

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Program or Cluster Name	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	\$ 1,244,639,634
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	42,719,929
	Total SNAP Cluster		<u>1,287,359,563</u>
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	72,072,948
10.555	National School Lunch Program	Agriculture	231,601,907
10.556	Special Milk Program for Children	Agriculture	511,712
10.559	Summer Food Service Program for Children	Agriculture	12,030,337
	Total Child Nutrition Cluster		<u>316,216,904</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	94,841,793
10.558	Child and Adult Care Food Program	Agriculture	50,647,619
12.401	National Guard Military Operations Maintenance (O&M) Projects	Defense	43,705,183
17.225	Unemployment Insurance	Labor	432,332,553
	Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster:		
17.258	WIA/WIOA Adult Program	Labor	12,144,635
17.259	WIA/WIOA Youth Activities	Labor	12,660,527
17.278	WIA/WIOA Dislocated Worker Formula Grants	Labor	15,589,428
	Total Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster		<u>40,394,590</u>
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	761,528,235
20.219	Recreational Trails Program	Transportation	2,568,195
	Total Highway Planning and Construction Cluster		<u>764,096,430</u>
64.015	Veterans State Nursing Home Care	Veterans Affairs	65,629,304
	Clean Water State Revolving Fund Cluster:		
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	39,056,100
	Total Clean Water State Revolving Fund Cluster		<u>39,056,100</u>
84.010	Title I Grants to Local Educational Agencies	Education	231,283,321
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	Education	220,284,170
84.173	Special Education - Preschool Grants	Education	9,811,765
	Total Special Education Cluster (IDEA)		<u>230,095,935</u>
84.032	Federal Family Education Loans	Education	109,341,957
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	63,061,761
84.367	Improving Teacher Quality State Grants	Education	38,670,664
93.268	Immunization Cooperative Agreements	Health and Human Services	61,371,174
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families (TANF)	Health and Human Services	182,948,162
	Total TANF Cluster		<u>182,948,162</u>
93.563	Child Support Enforcement	Health and Human Services	38,183,410
93.568	Low-Income Home Energy Assistance	Health and Human Services	74,930,366

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Program or Cluster Name	Federal Grantor Agency	Federal Awards Expended
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	43,921,531
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	56,754,961
	Total CCDF Cluster		<u>100,676,492</u>
93.658	Foster Care - Title IV-E	Health and Human Services	61,220,768
93.659	Adoption Assistance	Health and Human Services	34,144,793
93.667	Social Services Block Grant	Health and Human Services	51,696,253
93.767	Children's Health Insurance Program	Health and Human Services	130,194,647
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,711,274
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services	17,704,484
93.778	Medical Assistance Program	Health and Human Services	6,122,101,704
93.778	ARRA - Medical Assistance Program	Health and Human Services	39,337,572
	Total Medicaid Cluster		<u>6,180,855,034</u>
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	Social Security Administration	43,412,954
	Total Disability Insurance/SSI Cluster		<u>43,412,954</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security	67,557,683
97.039	Hazard Mitigation Grant	Homeland Security	58,528,689
	Total Type A Programs (expenditures greater than \$30,000,000)		<u>10,892,454,102</u>
	Total Type B Programs (expenditures less than \$30,000,000)		<u>658,052,315</u>
	Total Expenditures of Federal Awards		<u>\$ 11,550,506,417</u>

STATE AUDITOR'S REPORTS



NICOLE GALLOWAY, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 14, 2016. Our report expressed a qualified opinion on the governmental activities and the General Fund, a major fund, because we were not allowed access to tax returns and related source documents for income taxes. Approximately 29 percent of governmental activity revenues and 33 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded.

Our report on the state of Missouri's financial statements includes a reference to other auditors who audited the financial statements of:

1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan which represent 77 percent of the assets and 10 percent of the revenues of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund which are both major funds and represent 23 percent of the assets and 61 percent of the revenues of the business-type activities.
3. The aggregate discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund which represent 95 percent of the assets and 91 percent of the additions of the fiduciary funds.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and the Missouri Agricultural and Small Business Development Authority, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the state of Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state's internal control. Accordingly, we do not express an opinion on the effectiveness of the state's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the state's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the financial statement findings section of the accompanying Schedule of Findings and Questioned Costs as finding number 2015-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain

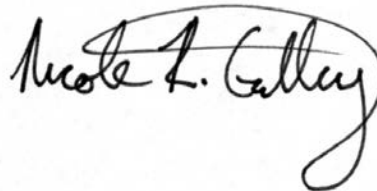
provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State's Response to Findings

The state of Missouri's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The state's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

January 14, 2016



NICOLE GALLOWAY, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

Report on Compliance for Each Major Federal Program

We have audited the state of Missouri's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The state's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Our audit, described below, did not include the operations of the public universities and other component units that expended federal awards during the year ended June 30, 2015, because those entities engaged other auditors to perform audits in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the state's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the state's compliance.

Basis for Qualified Opinion on Certain Major Federal Programs

As described in the findings listed in the table below and in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding the following:

Finding Number	CFDA Number(s)	Program (or Cluster) Name	Compliance Requirement(s)
2015-002	93.575 93.596	Child Care Development Fund Cluster	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
2015-003	93.575 93.596	Child Care Development Fund Cluster	Eligibility and Special Tests and Provisions
2015-004	93.667	Social Services Block Grant	Subrecipient Monitoring
2015-008	93.767 93.775 93.777 93.778	Children's Health Insurance Program and Medicaid Cluster	Other

Compliance with such requirements is necessary, in our opinion, for the state to comply with the requirements applicable to these programs.

Qualified Opinion on Certain Major Federal Programs

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion on Certain Major Federal Programs" paragraph, the state of Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Care Development Fund Cluster, Social Services Block Grant, Children's Health Insurance Program, and Medicaid Cluster for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the state of Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2015-005 through 2015-007 and 2015-010 through 2015-019. Our opinion on each major federal program is not modified with respect to these matters.

The state of Missouri's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The state's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the state's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

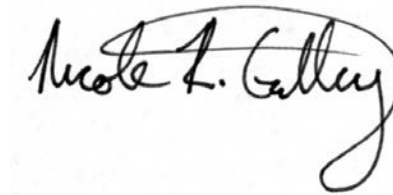
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2015-002, 2015-003, 2015-004, 2015-008, and 2015-009 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance

requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2015-010 through 2015-014, 2015-016, and 2015-017 to be significant deficiencies.

The state of Missouri's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The state's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

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Nicole R. Galloway, CPA
State Auditor

February 19, 2016



NICOLE GALLOWAY, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 14, 2016. Our report expressed a qualified opinion on the governmental activities and the General Fund, a major fund, because we were not allowed access to tax returns and related source documents for income taxes. Approximately 29 percent of governmental activity revenues and 33 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded.

Our report on the state of Missouri's financial statements also includes a reference to other auditors who audited the financial statements of:

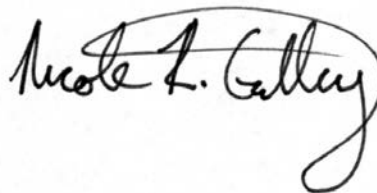
1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan which represent 77 percent of the assets and 10 percent of the revenues of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund which are both major funds and represent 23 percent of the assets and 61 percent of the revenues of the business-type activities.
3. The aggregate discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund which represent 95 percent of the assets and 91 percent of the additions of the fiduciary funds.

The financial statements of the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and the Missouri Agricultural and Small Business Development Authority, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the audit procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The purpose of this report is solely to provide an opinion on the Schedule of Expenditures of Federal Awards in relation to the basic financial statements as a whole based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

January 14, 2016

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Department of Agriculture			
10.UNKNOWN	National Food Animal Veterinary Institute	\$ 81,373	73,481
10.UNKNOWN	School Lunch Commodity Refund	8,505	8,505
10.025	Plant and Animal Disease, Pest Control, and Animal Care	747,969	0
10.069	Conservation Reserve Program	348,570	0
10.153	Market News	12,291	0
10.165	Perishable Agricultural Commodities Act	39,261	0
10.170	Specialty Crop Block Grant Program - Farm Bill	281,785	255,632
10.171	Organic Certification Cost Share Programs	79,410	0
10.435	State Mediation Grants	22,580	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	900,214	0
10.479	Food Safety Cooperative Agreements	97,728	0
SNAP Cluster:			
10.551	Supplemental Nutrition Assistance Program	1,244,639,634	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	42,719,929	9,496,746
	Total SNAP Cluster	1,287,359,563	9,496,746
Child Nutrition Cluster:			
10.553	School Breakfast Program	72,072,948	72,072,948
10.555	National School Lunch Program	231,601,907	231,601,907
10.556	Special Milk Program for Children	511,712	511,712
10.559	Summer Food Service Program for Children	12,030,337	11,480,808
	Total Child Nutrition Cluster	316,216,904	315,667,375
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	94,841,793	24,616,918
10.558	Child and Adult Care Food Program	50,647,619	49,976,937
10.560	State Administrative Expenses for Child Nutrition	4,051,432	1,788,757
Food Distribution Cluster:			
10.565	Commodity Supplemental Food Program	1,086,547	1,047,513
10.568	Emergency Food Assistance Program (Administrative Costs)	1,424,238	1,354,388
10.569	Emergency Food Assistance Program (Food Commodities)	9,077,727	0
	Total Food Distribution Cluster	11,588,512	2,401,901
10.574	Team Nutrition Grants	396,610	154,736
10.578	WIC Grants to States (WGS)	346,983	0
10.579	Child Nutrition Discretionary Grants Limited Availability	1,383,428	0
10.582	Fresh Fruit and Vegetable Program	3,279,758	3,279,758
10.664	Cooperative Forestry Assistance	1,732,709	258,547
Forest Service Schools and Roads Cluster:			
10.665	Schools and Roads - Grants to States	5,657,591	5,657,591
	Total Forest Service Schools and Roads Cluster	5,657,591	5,657,591
10.675	Urban and Community Forestry Program	48,689	0
10.680	Forest Health Protection	6,202	0
10.902	Soil and Water Conservation	47,677	7,723
	Total Department of Agriculture	1,780,225,156	413,644,607
Department of Commerce			
11.555	Public Safety Interoperable Communications Grant Program	587,916	0
11.558	ARRA - State Broadband Data and Development Grant Program	837,708	517,525
	Total Department of Commerce	1,425,624	517,525
Department of Defense			
12.AAG	Excess Property Program	710,211	710,211
12.UNKNOWN	Troops to Teachers	136,504	1,101
12.112	Payments to States in Lieu of Real Estate Taxes	3,581,278	3,581,278
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	664,205	0
12.401	National Guard Military Operations and Maintenance (O&M) Projects	43,705,183	0
	Total Department of Defense	48,797,381	4,292,590

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	26,171,203	25,459,691
14.231	Emergency Solutions Grants Program	2,260,321	2,259,905
14.238	Shelter Plus Care	12,029,702	12,013,255
14.241	Housing Opportunities for Persons with AIDS	728,564	728,564
14.401	Fair Housing Assistance Program - State and Local	738,998	0
Total Department of Housing and Urban Development		41,928,788	40,461,415
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	8,302	0
15.252	Abandoned Mine Land Reclamation (AMLR) Program	2,156,056	1,208,954
Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration Program	7,832,691	0
15.611	Wildlife Restoration and Basic Hunter Education	14,443,459	0
Total Fish and Wildlife Cluster		22,276,150	0
15.608	Fish and Wildlife Management Assistance	231,920	0
15.615	Cooperative Endangered Species Conservation Fund	122,484	0
15.623	North American Wetlands Conservation Fund	423,668	0
15.634	State Wildlife Grants	963,579	0
15.657	Endangered Species Conservation - Recovery Implementation Funds	10,879	0
15.807	Earthquake Hazards Research and Monitoring Assistance	18,066	0
15.808	U.S. Geological Survey - Research and Data Collection	56,405	0
15.810	National Cooperative Geologic Mapping Program	162,394	0
15.814	National Geological and Geophysical Data Preservation Program	11,517	0
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	15,375	0
15.904	Historic Preservation Fund Grants-In-Aid	898,328	147,772
15.916	Outdoor Recreation - Acquisition, Development and Planning	857,489	367,548
15.935	National Trails System Projects	38,176	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	469,956	0
Total Department of the Interior		28,720,744	1,724,274
Department of Justice			
16.013	Violence Against Women Act Court Training and Improvement Grants	19,554	0
16.017	Sexual Assault Services Formula Program	226,063	219,595
16.523	Juvenile Accountability Block Grants	506,848	338,166
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	520,699	213,610
16.554	National Criminal History Improvement Program (NCHIP)	276,341	276,341
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	134,754	83,723
16.575	Crime Victim Assistance	7,214,558	7,019,264
16.576	Crime Victim Compensation	2,680,195	2,680,195
16.585	Drug Court Discretionary Grant Program	98,761	0
16.588	Violence Against Women Formula Grants	2,032,533	1,933,041
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	362,793	0
16.593	Residential Substance Abuse Treatment for State Prisoners	429,329	121,831
16.606	State Criminal Alien Assistance Program	48,793	0
16.610	Regional Information Sharing Systems	4,386,204	4,386,204
16.726	Juvenile Mentoring Program	160,086	126,775
16.727	Enforcing Underage Drinking Laws Program	116,446	109,812
16.734	Special Data Collections and Statistical Studies	57,651	0
16.738	Edward Byrne Memorial Justice Assistance Grant Program	4,860,019	3,921,248
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	280,642	0
16.741	DNA Backlog Reduction Program	504,949	0
16.750	Support for Adam Walsh Act Implementation Grant Program	249,074	0
16.751	Edward Byrne Memorial Competitive Grant Program	14,575	14,575
16.813	NICS Act Record Improvement Program	842,834	842,834
16.816	John R. Justice Prosecutors and Defenders Incentive Act	39,218	37,416
Total Department of Justice		26,062,919	22,324,630

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Department of Labor			
17.002	Labor Force Statistics	1,005,767	0
17.005	Compensation and Working Conditions	237,199	0
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	13,444,957	0
17.801	Disabled Veterans' Outreach Program (DVOP)	2,067,235	0
17.804	Local Veterans' Employment Representative Program	1,010,441	0
	Total Employment Service Cluster	16,522,633	0
17.225	Unemployment Insurance	432,332,553	0
17.235	Senior Community Service Employment Program	2,167,913	2,112,730
17.245	Trade Adjustment Assistance	5,287,256	0
	Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster:		
17.258	WIA/WIOA Adult Program	12,144,635	11,555,463
17.259	WIA/WIOA Youth Activities	12,660,527	11,458,332
17.278	WIA/WIOA Dislocated Worker Formula Grants	15,589,428	13,472,993
	Total Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster	40,394,590	36,486,788
17.268	H-1B Job Training Grants	424,247	373,490
17.271	Work Opportunity Tax Credit Program (WOTC)	432,663	0
17.273	Temporary Labor Certification for Foreign Workers	151,336	0
17.277	WIOA National Dislocated Worker Grants/WIA National Emergency Grants	6,791,562	5,466,282
17.280	WIA/WIOA Dislocated Worker National Reserve Demonstration Grants	4,783	0
17.504	Consultation Agreements	1,335,823	0
17.600	Mine Health and Safety Grants	229,585	0
	Total Department of Labor	507,317,910	44,439,290
Department of Transportation			
20.106	Airport Improvement Program	21,136,513	21,132,586
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	761,528,235	115,347,360
20.219	Recreational Trails Program	2,568,195	1,232,461
	Total Highway Planning and Construction Cluster	764,096,430	116,579,821
20.218	National Motor Carrier Safety	3,480,306	1,212,424
20.231	Performance and Registration Information Systems Management	238,000	0
20.232	Commercial Driver's License Program Improvement Grant	238,541	198,702
20.237	Commercial Vehicle Information Systems and Networks	109,110	0
20.240	Fuel Tax Evasion - Intergovernmental Enforcement Effort	11,962	0
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	3,370,821	3,370,821
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	1,311,184	131,183
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	321,491	321,491
	Total Federal Transit Cluster	321,491	321,491
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	6,290,383	6,150,493
20.509	Formula Grants for Rural Areas	20,220,179	19,573,150
	Transit Services Programs Cluster:		
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	2,415,430	2,176,119
20.516	Job Access and Reverse Commute Program	905,914	905,914
20.521	New Freedom Program	601,167	601,167
	Total Transit Services Programs Cluster	3,922,511	3,683,200
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	97,145	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	4,667,586	3,908,127
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	698,785	678,241
20.610	State Traffic Safety Information System Improvement Grants	66,335	66,335
20.612	Incentive Grant Program to Increase Motorcyclist Safety	13,798	0
20.613	Child Safety and Child Booster Seats Incentive Grants	207,392	54,028
20.616	National Priority Safety Programs	3,342,945	2,197,205
	Total Highway Safety Cluster	8,996,841	6,903,936
20.607	Alcohol Open Container Requirements	13,617,711	3,497,008
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	12,424,826	750,305
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	148,796	0
20.700	Pipeline Safety Program State Base Grant	582,315	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	519,701	30,270
20.720	State Damage Prevention Program Grants	60,000	0
20.721	PHMSA Pipeline Safety Program One Call Grant	9,221	0
20.816	America's Marine Highway Grants	14,246	0
	Total Department of Transportation	861,218,233	183,535,390
	Equal Employment Opportunity Commission		
30.UNKNOWN	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	547,255	0
	Total Equal Employment Opportunity Commission	547,255	0
	General Services Administration		
39.003	Donation of Federal Surplus Personal Property	2,809,469	2,550,612
39.011	Election Reform Payments	10,616	10,616
	Total General Services Administration	2,820,085	2,561,228
	National Foundation on the Arts and the Humanities		
45.025	Promotion of the Arts - Partnership Agreements	692,393	368,552
45.310	Grants to States	3,017,014	2,079,552
	Total National Foundation on the Arts and the Humanities	3,709,407	2,448,104
	Small Business Administration		
59.061	State Trade and Export Promotion Pilot Grant Program	12,642	7,442
	Total Small Business Administration	12,642	7,442
	Department of Veterans Affairs		
64.005	Grants to States for Construction of State Home Facilities	990,063	0
64.015	Veterans State Nursing Home Care	65,629,304	0
64.024	VA Homeless Providers Grant and Per Diem Program	715,000	715,000
64.101	Burial Expenses Allowance for Veterans	908,699	0
64.115	Veterans Information and Assistance	458,041	0
	Total Department of Veterans Affairs	68,701,107	715,000
	Environmental Protection Agency		
66.032	State Indoor Radon Grants	171,862	1,794
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	797,238	0
66.039	National Clean Diesel Emissions Reduction Program	355,918	270,703
66.040	State Clean Diesel Grant Program	43,631	24,260
66.202	Congressionally Mandated Projects	3,914	0
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	75,138	0
66.433	State Underground Water Source Protection	167,397	0
66.454	Water Quality Management Planning	489,711	271,390
	Clean Water State Revolving Fund Cluster:		
66.458	Capitalization Grants for Clean Water State Revolving Funds	39,056,100	30,849,395
	Total Clean Water State Revolving Fund Cluster	39,056,100	30,849,395

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
66.460	Nonpoint Source Implementation Grants	3,867,927	2,198,571
66.461	Regional Wetland Program Development Grants	86,499	22,109
	Drinking Water State Revolving Fund Cluster:		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	23,803,451	14,399,206
	Total Drinking Water State Revolving Fund Cluster	23,803,451	14,399,206
66.605	Performance Partnership Grants	13,268,646	161,439
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	86,918	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	303,761	0
66.714	Regional Agricultural IPM Grants	1,498	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,489,072	332,856
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	508,253	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,055,985	68,131
66.817	State and Tribal Response Program Grants	978,780	0
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	107,830	0
	Total Environmental Protection Agency	86,719,529	48,599,854
Department of Energy			
81.041	State Energy Program	1,043,637	10,018
81.042	Weatherization Assistance for Low-Income Persons	5,287,588	4,535,923
81.092	Weldon Springs Site Remedial Action Project	236,906	0
81.104	Environmental Remediation and Waste Processing and Disposal	154,750	0
81.119	State Energy Program Special Projects	215,707	29,188
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	65,651	0
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	5,207	0
81.136	Long-Term Surveillance and Maintenance	49,955	0
81.138	State Heating Oil and Propane Program	4,540	0
	Total Department of Energy	7,063,941	4,575,129
Department of Education			
84.UNKNOWN	Cooperative System Grant	16,581	0
84.002	Adult Education - Basic Grants to States	9,242,994	8,019,774
84.010	Title I Grants to Local Educational Agencies	231,283,321	229,887,636
84.011	Migrant Education - State Grant Program	1,574,943	1,559,924
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,091,762	1,078,376
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	220,284,170	199,140,253
84.173	Special Education - Preschool Grants	9,811,765	9,811,765
	Total Special Education Cluster (IDEA)	230,095,935	208,952,018
84.032	Federal Family Education Loans	109,341,957	0
84.048	Career and Technical Education - Basic Grants to States	19,632,999	18,027,681
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	63,061,761	0
84.144	Migrant Education - Coordination Program	75,700	75,700
84.169	Independent Living - State Grants	273,492	253,168
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	679,302	0
84.181	Special Education - Grants for Infants and Families	8,395,860	0
84.184	Safe and Drug-Free Schools and Communities - National Programs	417,519	0
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	781,572	0
84.196	Education for Homeless Children and Youth	1,089,038	1,084,247
84.224	Assistive Technology	1,048,837	791,883
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	996,916	0
84.282	Charter Schools	1,292,872	1,289,600
84.287	Twenty-First Century Community Learning Centers	19,082,476	18,757,922
84.323	Special Education - State Personnel Development	1,612,281	1,612,281
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	5,730	0
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	205,359	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	146,488	146,488
84.358	Rural Education	2,878,522	2,734,857
84.365	English Language Acquisition State Grants	5,436,392	5,197,049
84.366	Mathematics and Science Partnerships	2,820,273	2,818,173
84.367	Improving Teacher Quality State Grants	38,670,664	38,013,560
84.369	Grants for State Assessments and Related Activities	3,547,806	0
84.372	Statewide Longitudinal Data Systems	424,479	0
	School Improvement Grants Cluster:		
84.377	School Improvement Grants	10,325,715	9,966,836
	Total School Improvement Grants Cluster	10,325,715	9,966,836
84.378	College Access Challenge Grant Program	198,927	150,634
84.902	National Assessment of Educational Programs	111,691	0
	Total Department of Education	765,860,164	550,417,807
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	15,025	0
	Total National Archives and Records Administration	15,025	0
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	2,031,787	687,662
	Total Elections Assistance Commission	2,031,787	687,662
Department of Health and Human Services			
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	76,191	5,139
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	276,839	63,203
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Aging Cluster:	452,610	430,544
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	7,169,775	6,932,862
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	12,645,452	12,141,875
93.053	Nutrition Services Incentive Program	3,906,512	3,906,512
	Total Aging Cluster	23,721,739	22,981,249
93.052	National Family Caregiver Support, Title III, Part E	2,883,415	2,732,839
93.069	Public Health Emergency Preparedness	10,822,990	5,574,711
93.070	Environmental Public Health and Emergency Response	1,153,767	271,332
93.071	Medicare Enrollment Assistance Program	453,410	234,455
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	58,492	52,838
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	63,269	63,269
93.090	Guardianship Assistance	3,073,736	0
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	981,612	821,542
93.094	Well-Integrated Screening and Evaluation for Women Across the Nation	469,280	280,854
93.103	Food and Drug Administration - Research	1,222,350	12,044
93.110	Maternal and Child Health Federal Consolidated Programs	191,736	39,344
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	663,135	196,109
93.127	Emergency Medical Services for Children	120,504	51,731
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	243,075	23,955
93.136	Injury Prevention and Control Research and State and Community Based Programs	443,440	336,326
93.150	Projects for Assistance in Transition from Homelessness (PATH)	704,085	703,051
93.165	Grants to States for Loan Repayment Program	250,000	250,000
93.234	Traumatic Brain Injury State Demonstration Grant Program	150,344	93,218
93.235	Affordable Care Act (ACA) Abstinence Education Program	773,250	625,592

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
93.236	Grants to States to Support Oral Health Workforce Activities	667,010	666,429
93.240	State Capacity Building	303,358	0
93.241	State Rural Hospital Flexibility Program	372,874	239,375
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	3,768,462	3,412,064
93.251	Universal Newborn Hearing Screening	238,954	56,260
93.268	Immunization Cooperative Agreements	61,371,174	145,835
93.270	Adult Viral Hepatitis Prevention and Control	77,082	0
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	2,494,170	1,220,598
93.292	National Public Health Improvement Initiative	204,760	35,098
93.301	Small Rural Hospital Improvement Grant Program	315,525	315,525
93.305	National State Based Tobacco Control Programs	150,892	0
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	128,658	0
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	471,481	0
93.324	State Health Insurance Assistance Program	951,861	0
93.336	Behavioral Risk Factor Surveillance System	11,357	0
93.369	ACL Independent Living State Grants	27,000	0
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	3,450,779	3,093,370
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	46,922	0
93.519	Affordable Care Act (ACA) - Consumer Assistance Program Grants	219,273	0
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	345,176	41,969
93.538	Affordable Care Act - National Environmental Public Health Tracking Program - Network Implementation	165,073	0
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by Prevention and Public Health Funds	368,601	0
93.556	Promoting Safe and Stable Families TANF Cluster:	8,084,351	0
93.558	Temporary Assistance for Needy Families	182,948,162	8,470,955
	Total TANF Cluster	182,948,162	8,470,955
93.563	Child Support Enforcement	38,183,410	16,998,716
93.566	Refugee and Entrant Assistance - State Administered Programs	3,354,652	1,420,110
93.568	Low-Income Home Energy Assistance	74,930,366	37,956,998
93.569	Community Services Block Grant CCDF Cluster:	18,667,381	17,782,163
93.575	Child Care and Development Block Grant	43,921,531	2,588,782
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	56,754,961	0
	Total CCDF Cluster	100,676,492	2,588,782
93.576	Refugee and Entrant Assistance - Discretionary Grants	285,749	281,445
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	157,653	157,653
93.586	State Court Improvement Program	562,256	0
93.590	Community-Based Child Abuse Prevention Grants	582,714	579,415
93.597	Grants to States for Access and Visitation Programs	166,700	0
93.599	Chafee Education and Training Vouchers Program (ETV)	884,913	0
93.600	Head Start	135,700	135,700
93.603	Adoption and Legal Guardianship Incentive Payments	1,903,050	0
93.609	The Affordable Care Act - Medicaid Adult Quality Grants	561,853	0
93.617	Voting Access for Individuals with Disabilities - Grants to States	29,000	870
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,348,937	458,852
93.643	Children's Justice Grants to States	296,754	0
93.645	Stephanie Tubbs Jones Child Welfare Services Program	6,078,319	0
93.658	Foster Care - Title IV-E	61,220,768	392,178
93.659	Adoption Assistance	34,144,793	0
93.667	Social Services Block Grant	51,696,253	9,320,873
93.669	Child Abuse and Neglect State Grants	633,929	0
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	2,114,239	2,113,369

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
93.674	Chafee Foster Care Independence Program	2,886,393	0
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - Financed by Prevention and Public Health Funds (PPHF)	199,219	184,433
93.735	State Public Health Approaches for Ensuring Quitline Capacity - Funded in Part by Prevention and Public Health Funds (PPHF)	502,659	322,928
93.752	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations Financed in Part by Prevention and Public Health Funds	1,974,562	1,220,387
93.753	Child Lead Poisoning Prevention Surveillance Financed in Part by Prevention and Public Health (PPHF) Program	152,382	0
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke	15,327	0
93.758	Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF)	3,136,923	1,423,419
93.767	Children's Health Insurance Program Medicaid Cluster:	130,194,647	0
93.775	State Medicaid Fraud Control Units	1,711,274	0
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	17,704,484	0
93.778	Medical Assistance Program	6,122,101,704	0
93.778	ARRA - Medical Assistance Program	39,337,572	0
	Total Medicaid Cluster	6,180,855,034	0
93.791	Money Follows the Person Rebalancing Demonstration	10,287,085	0
93.889	National Bioterrorism Hospital Preparedness Program	5,070,668	4,078,693
93.913	Grants to States for Operation of Offices of Rural Health	157,169	4,915
93.917	HIV Care Formula Grants	9,338,683	9,338,683
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	545,841	481,175
93.940	HIV Prevention Activities - Health Department Based	5,181,493	3,087,931
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS)	631,594	246,762
93.945	Assistance Programs for Chronic Disease Prevention and Control	1,979,567	889,880
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative	141,294	0
93.958	Block Grants for Community Mental Health Services	6,168,347	5,920,485
93.959	Block Grants for Prevention and Treatment of Substance Abuse	23,970,637	22,051,915
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	1,936,964	578,293
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	197,923	0
93.991	Preventive Health and Health Services Block Grant	254,312	1,189
93.994	Maternal and Child Health Services Block Grant to the States	13,016,721	7,499,466
	Total Department of Health and Human Services	7,113,843,549	201,058,501
Corporation for National and Community Service			
94.003	State Commissions	322,195	2,501
94.006	AmeriCorps	3,338,236	3,326,619
	Total Corporation for National and Community Service	3,660,431	3,329,120
Executive Office of the President			
95.001	High Intensity Drug Trafficking Areas Program	2,855,285	2,320,137
	Total Executive Office of the President	2,855,285	2,320,137
Social Security Administration			
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	43,412,954	0
	Total Disability Insurance/SSI Cluster	43,412,954	0
	Total Social Security Administration	43,412,954	0
Department of Homeland Security			
97.008	Non-Profit Security Program	84,712	84,618
97.012	Boating Safety Financial Assistance	2,998,990	0
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	2,592,848	2,592,848
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	207,878	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
97.029	Flood Mitigation Assistance	126,613	126,613
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	67,557,683	66,865,785
97.039	Hazard Mitigation Grant	58,528,689	58,068,610
97.041	National Dam Safety Program	98,867	0
97.042	Emergency Management Performance Grants	6,384,774	3,837,326
97.045	Cooperating Technical Partners	1,202,875	0
97.052	Emergency Operations Center	475,728	475,728
97.067	Homeland Security Grant Program	12,816,223	10,528,437
97.088	Disaster Assistance Projects	23,479	23,479
97.091	Homeland Security Biowatch Program	457,142	392,265
Total Department of Homeland Security		<u>153,556,501</u>	<u>142,995,709</u>
Total Expenditures of Federal Awards		<u>\$ 11,550,506,417</u>	<u>1,670,655,414</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and OMB Circular A-133 *Compliance Supplement*, dated June 2015. The circular requires a schedule that shows total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. Appendix VII of the supplement requires identifying expenditures of federal awards made under the American Recovery and Reinvestment Act of 2009 (ARRA) separately on the schedule with the inclusion of the prefix "ARRA" in the name of the federal program.

The schedule includes all federal awards expended by the state of Missouri during the year ended June 30, 2015, except for those programs administered by public universities and other component units which are legally separate from the state of Missouri and have been excluded from this audit. They were audited by other auditors under OMB Circular A-133.

To compile the Schedule of Expenditures of Federal Awards, the Missouri State Auditor's office required each department, agency, and office that expended direct and/or indirect federal funding during the state fiscal year to prepare a schedule of expenditures of federal awards. The schedules for the departments, agencies, and offices were combined to form the Schedule of Expenditures of Federal Awards for the state of Missouri.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal awards as federal financial assistance and cost-reimbursement contracts that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

The schedule presents both Type A and B programs administered by the state. OMB Circular A-133 establishes the formula for determining the level of

expenditures to be used in defining Type A and B federal programs. During the year ended June 30, 2015, Type A programs are those which exceed \$30 million in disbursements, expenditures, or distributions. The determination of major and non-major programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

The expenditures for each of the federal programs are presented on the accounting basis as required by the awarding federal agency. Most programs are presented on a cash basis, which recognizes expenditures of federal awards when disbursed in cash. However, some are presented on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

2. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Rebates

The state received cash rebates from an infant formula manufacturer totaling \$33,776,347 on sales of formula to participants in the WIC (CFDA No. 10.557). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(a) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this state fiscal year in the absence of the rebate contract.

3. Medical Assistance Program (Medicaid) and Children's Health Insurance Program (CHIP) Prescription Drug Rebates

The state received cash rebates from drug manufacturers totaling \$229,458,379 (federal share) on purchases of covered outpatient drugs for participants in the Medicaid and CHIP (CFDA Nos. 93.778 and 93.767). This amount was excluded from total program expenditures. Rebate contracts with drug manufacturers are authorized by 42 U.S.C. Section 1396r-8 as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for medical assistance costs.

4. Unemployment Insurance Program Expenditures

Expenditures of federal awards reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$384,357,685. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those other states totaling \$34,914,226 have also been included in the Unemployment Insurance program expenditures. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the state of Missouri totaling \$4,139,951 have been excluded from total expenditures.

5. Federal Loan Guarantees

The Department of Higher Education (DHE) guarantees student loans made by lenders under the Federal Family Education Loans program (CFDA 84.032). The original principal balance outstanding of all loans guaranteed by the DHE was \$1,836,916,682 as of June 30, 2015. Additionally, the outstanding balance of defaulted loans (including principal and accrued interest) for which the federal government imposes continuing compliance requirements on the DHE was \$331,227,064 as of June 30, 2015.

6. Nonmonetary Assistance

The Department of Elementary and Secondary Education distributes food commodities to school districts under the National School Lunch Program (CFDA No. 10.555). Distributions are valued at the cost of the food paid by the federal government and totaled \$26,106,274.

The Department of Public Safety distributes excess Department of Defense (DOD) equipment to state and local law enforcement agencies under the DOD Excess Property Program (CFDA No. 12.AAG). Property distributions totaled \$2,999,203 when valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the accompanying Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost (\$710,211), which approximates the fair market value of the property at the time of distribution.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program (CFDA No. 39.003). Property distributions totaled \$11,864,312 when valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the accompanying Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost (\$2,809,469), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under the Immunization Cooperative Agreements program (CFDA No. 93.268). Distributions are valued at the cost of the vaccines paid by the federal government and totaled \$57,058,169.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Qualified

Unmodified for all opinion units except for governmental activities and the General Fund, which were qualified.

Internal control over financial reporting:

- Material weaknesses identified? ☒ yes ☐ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to the financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☒ yes ☐ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Type of auditor's report issued on compliance for major programs:

Qualified

Unmodified for all major programs except for the following major programs which were qualified:

Child Care Development Fund Cluster
Social Services Block Grant
Children's Health Insurance Program
Medicaid Cluster

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?

☒ yes ☐ no

The following programs were audited as major programs:

CFDA

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
17.225	Unemployment Insurance
	Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster:
17.258	WIA/WIOA Adult Program
17.259	WIA/WIOA Youth Activities
17.278	WIA/WIOA Dislocated Worker Formula Grants
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
	Special Education Cluster (IDEA):
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.032	Federal Family Education Loans
	TANF Cluster:
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
	CCDF Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.778	ARRA - Medical Assistance Program
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant
97.042	Emergency Management Performance Grants

Dollar threshold used to distinguish between Type A
and Type B programs:

\$30,000,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

2015-001.

Financial Reporting Controls - Office of State Treasurer

The Office of State Treasurer (STO) does not have adequate procedures in place to ensure the accuracy of year-end financial data submitted to the Office of Administration - Division of Accounting (DOA). The total balance reported to the DOA for the bank deposits held by the STO would have been understated by \$753.2 million in the note disclosures accompanying the financial statements in the *Missouri Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2015, had the misstatement in the year-end financial data not been identified during our audit. In addition, total cash and cash equivalents would have been overstated by \$214.4 million and total investments would have been understated by \$214.4 million in the CAFR financial statements for the year ended June 30, 2015, had an error in the preparation of the STO year-end financial data not been identified during our audit.

- A. The STO year-end financial data submitted to the DOA is to include the total balance of bank deposits as of fiscal year end. This amount is used by the DOA to report the balance of the state's bank deposits in the CAFR note disclosures (footnotes to the financial statements). However, the STO reported an incorrect amount and the note disclosure would have been materially misstated had we not identified the error.

To generate the bank deposit data for the CAFR, the STO obtained bank account totals from bank statements or on-line banking reports and recorded the amounts on a supporting worksheet. We identified one account balance totaling \$18.8 million was not included on the worksheet. In addition, when transferring the STO's worksheet total to the form used to transmit data to the DOA, the STO recorded an incorrect amount resulting in an additional understatement of \$734.4 million. The STO did not detect the misstatement and the incorrect data was submitted to the DOA.

When compiling the draft CAFR, the DOA incorporates the amounts reported by the STO. After we brought this misstatement to the attention of the STO, corrections were submitted by the STO and incorporated into the CAFR by the DOA in December 2015, prior to its completion.

- B. The STO year-end financial data submitted to the DOA is to include a summary schedule of investments as of June 30, grouped by length of time until the

investments mature. This summary schedule is used by the DOA to reclassify a portion of the cash balances from cash and cash equivalents to investments. Accounting standards require certain investments to be classified as cash and cash equivalents when the investment is purchased within 3 months of its maturity date.

The STO changed the method of preparing the investment summary schedule for the June 30, 2015, investment balances. However, the change was not consistent with governmental accounting standards. Instead of starting with the date the investments were purchased to calculate the length of time to maturity as required by accounting standards, the STO used the fiscal year end date, June 30, 2015, to do the calculation which caused the length of time to maturity to be understated for many investments. As a result, these investments were classified as cash and cash equivalents when they should have been classified as investments. Of the 924 investments in the STO's portfolio at June 30, 2015, 163 were incorrectly classified, resulting in a \$214.4 million misstatement of cash and cash equivalents and investments. The STO did not detect the misstatement and the incorrect data was submitted to the DOA.

When compiling the draft CAFR, the DOA incorporated the incorrect amounts reported by the STO. After we brought this misstatement to the attention of the STO, a correction was submitted by the STO and made to the CAFR by the DOA in December 2015, prior to its completion.

Adequate systems of internal controls include the design and operation of controls which allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements.

WE RECOMMEND the STO implement controls which allow for the detection and correction of misstatements when preparing the year-end financial data.

AUDITEE'S RESPONSE

The STO has robust, existing systems of internal controls regarding the submission of year-end financial data to the DOA. However, the STO agrees with the State Auditor's Office's (SAO) recommendation as it relates to strengthening controls and, consistent with it, the STO has already begun to take steps to further bolster relevant existing procedures. The STO appreciates the work performed by both the DOA and the SAO in ensuring the accuracy of the financial statements in the CAFR.

Section III - Federal Award Findings and Questioned Costs

2015-002.	Child Care Eligibility and Payments
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2014 - G1401MOCCDF and 2015 - G1501MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2014 - G1401MOCCDF and 2015 - G1501MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	\$12,647

As noted in our prior five audit reports¹, significant weaknesses exist in DSS controls over Child Care Development Fund (Child Care subsidy) eligibility and provider payments. Controls are not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers. Eligibility and payment documentation could not be located for some Child Care subsidy cases reviewed, and overpayments were made to some providers. The DSS has only limited procedures to review eligibility determinations and monitor payments to providers. During the year ended June 30, 2015, the DSS paid approximately 6,000 child care providers approximately \$125 million for services provided to over 60,500 children of eligible clients.

The DSS provides funds to child care providers who serve eligible clients (parents/caregivers). Clients apply to CD or FSD case workers for participation in the Child Care subsidy program. Federal regulation 45 CFR Section 98.20 provides that to be eligible for services the child must (1) be under 13 years old, or at the option of the DSS under age 19 and physically or mentally incapable of caring for himself/herself or under court supervision, (2) live with a family who meets certain income guidelines, and (3) have parents who are working or attending a job training or educational program or receive, or need to receive, protective services.

Once approved, the client selects a child care provider and the DSS enters into an agreement with the provider for child care services. The DSS Income Maintenance (IM) manual requires that case workers set maximum authorized service units for the amount and type of care that best meets the family's need and maintain case file documentation, including the Child Care subsidy application or a signed system-generated interview summary and copies of income (including work hours) or educational program verifications, to support the eligibility determination. Federal regulation 45 CFR Section 98.90 also requires the DSS to retain program records for a period of 3 years.

¹ *State of Missouri Single Audit*, finding numbers 2014-005, 2013-009, 2012-11A&B, 2011-14A, and 2010-16A.

Until January 2015, the IM manual required a client receiving Child Care subsidy to work an average of 20 or more hours per week. This requirement was revised and currently the client may receive Child Care subsidy as long as he or she is working and continues to meet other requirements. The IM manual also limits the number of absences and holidays eligible for reimbursement. Additionally, the manual states that child care providers may not receive Child Care subsidy for their own children.

The IM manual and provider agreements require that providers submit a monthly invoice electronically via the internet through the Child Care Online Invoicing System (CCOIS) or manually through the Child Care Provider Relations Unit. The CCOIS interfaces with the Family Assistance Management Information System (FAMIS) to process provider payments. Additionally, providers are required to maintain detailed attendance records documenting daily arrival and departure times and containing a client signature verifying the child received the services. Although all providers are required to retain attendance records for 5 years, the DSS only requires registered (license exempt) providers who submit manual invoices to submit attendance records for payment.

To test compliance with program requirements, we selected a sample of 60 children. We reviewed eligibility case documentation, related provider agreements, and payment documentation supporting one payment for each of these children. Payments totaling approximately \$97,290 were made to child care providers on behalf of these 60 children during state fiscal year 2015. We noted the following:

- Eligibility documentation was not sufficient to support a valid need for child care services for 7 of 60 (12 percent) cases reviewed. For five cases, the client provided information at the time of application or redetermination for Child Care subsidy or another program that showed the client was employed less than an average of 20 hours per week (when the 20-hour requirement was in effect), or was not employed and had no other valid need for services. For another case, the client notified the DSS child care was no longer needed; however, the DSS did not process the information timely in the FAMIS and the provider continued to submit invoices resulting in overpayments. Finally, one client was a child care provider and therefore was not eligible to receive Child Care subsidy for care of her children by another provider. The DSS closed the case after the provider was paid for 1 month, but did not file a claim to recoup prior overpayments. Payments totaling \$12,519, made on behalf of these 7 children and their siblings during the year ended June 30, 2015, were unallowable and/or unsupported by adequate documentation. We question the federal share of \$9,227 (73.70 percent).
- Income eligibility information for 2 of 60 (3 percent) cases did not match the income entered into the FAMIS and used for eligibility determinations. The clients are ineligible for Child Care subsidy based on the correct income documentation. Payments totaling \$2,352 were made on behalf of these two ineligible children and their siblings during the year ended June 30, 2015. We question the federal share of \$1,733 (73.70 percent).

- Documentation was not adequate to support payments and/or payments were not in compliance with DSS policies for 18 of 60 (30 percent) cases reviewed. Some attendance records were not provided by child care providers upon our request, some attendance records were not signed by the client and/or provider or did not state arrival and departure times of care, and some provider invoices did not agree to the corresponding attendance records. In addition, for one case, documentation did not support authorization for payments at enhanced evening weekend rates. One of these cases was included in the questioned costs above. Payments for the remaining 17 cases totaled \$1,570. We question the federal share of \$1,157 (73.70 percent).
- One provider improperly claimed absences on a holiday the center was closed for business after exhausting their annual allotment of 11 holidays per state fiscal year. To determine if providers circumvented the annual holiday maximum by claiming absences on holidays, we reviewed attendance records of 5 of the 60 providers who exhausted the maximum holidays within the first 10 months of the state fiscal year. One of these providers claimed all Child Care subsidy children in its care were absent on Memorial Day; however, absences should only be claimed when the facility is open and the child is not in attendance. Claiming these absences allowed the provider to exceed the maximum annual paid holidays. The provider was paid \$719 for absences on Memorial Day for various children. We question the federal share of \$530 (73.70 percent).

The various errors noted above occurred because the DSS lacks sufficient controls to ensure eligibility determinations are accurate and adequately documented and payments are proper and adequately supported. At least three significant factors contributed to the weak control system including: limited supervisory review of Child Care subsidy eligibility determinations, limited on-site contract compliance reviews of child care providers, and minimal other procedures in place to review provider attendance records.

In response to deficiencies identified in previous audits, the DSS implemented various controls over eligibility determinations and provider payments. Effective March 2012, the DSS required all FSD eligibility supervisors to review a minimum of three Child Care subsidy cases each month in the case review system. However, these case reviews declined and then stopped during state fiscal years 2014 and 2015 during the FSD reorganization. The DSS indicated the reviews were reestablished in November 2015. In September 2013, the DSS began performing on-site reviews of child care providers to evaluate billing practices, compare attendance records to amounts invoiced, and review facility staffing ratios and fire safety. The Child Care Review Team (CCRT) completed approximately 750 provider reviews during the year ended June 30, 2015 and noted similar payment issues as those identified above.

In July 2014 and December 2015, the Department of Health and Human Services, Administration for Children and Families, Office of Child Care issued decision letters stating it concurred with the five prior audit findings and the DSS had resolved or planned to resolve the related questioned costs. The DSS needs to continue to review, strengthen, and enforce policies and procedures to ensure Child Care subsidy payments

are made only on behalf of eligible clients, invoices agree to the corresponding attendance records, attendance records are complete, payments are in accordance with DSS policy, and appropriate Child Care subsidy services are authorized. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified. Complete and accurate case records are critical in properly administering the program.

Payments associated with known questioned costs represented approximately 9 percent of payments reviewed. If similar errors were made on the remaining population of Child Care Subsidy payments, questioned costs could be significant.

WE RECOMMEND the DSS through the CD and FSD continue to review, strengthen and enforce policies and procedures regarding Child Care subsidy eligibility determinations and provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2015-003.

Child Care Provider Eligibility

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2014 - G1401MOCCDF and 2015 - G1501MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2014 - G1401MOCCDF and 2015 - G1501MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	\$4,687

As noted in our prior two audit reports², the DSS does not have adequate controls and procedures in place to ensure "four-or-less" child care providers participating in the Child Care Development Fund (Child Care) subsidy program comply with statutory requirements for license-exempt status. Per Section 210.211.1, RSMo, child care providers are exempt from licensing requirements if they care for four or less unrelated children, known as "four-or-less" (FOL) providers. The DSS incorrectly classified some children as related to their child care provider, and made Child Care subsidy payments to an individual registered as a FOL provider for care of 6 unrelated and 4 related children.

² State of Missouri Single Audit, finding numbers 2014-006 and 2013-010.

In addition, the DSS could not verify the relationship for some children classified as related to their FOL registered providers. During the year ended June 30, 2015, the DSS paid over 2,950 FOL child care providers approximately \$17.2 million for child care services.

Child care providers must be licensed, or exempt from licensure by state statute, to participate in the Child Care subsidy program. FOL providers must sign a registration agreement with the CD attesting they understand the health and safety requirements of the program, will comply with such requirements, and will report true and accurate information. Once the FOL provider registers with the DSS, clients participating in the Child Care subsidy program may request their children be authorized for care with the provider. FSD Eligibility Specialists (ES) authorize child care for each eligible child by provider in the Family Assistance Management Information System (FAMIS), and are required to verify the relationship of the child to the provider. Upon verification of the relationship, the ES enters the corresponding relationship code and the child care authorization into the FAMIS. System edits allow the ES to authorize a maximum of four unrelated children to a FOL provider at a time. When relationship codes are not entered correctly, the system will not prevent child care authorizations and payments to FOL providers caring for more than four unrelated Child Care subsidy children.

Until March 2015, DSS Child Care policy required the ES to review certain information to verify the relationship between the children and their FOL providers. Examples specified included Missouri electronic birth records accessible via the FAMIS, paper birth certificates for individuals born in other states, marriage licenses, and other documents. The policy provided the parent's statement could not be accepted as the only verification. The ES was not required to document his or her verification procedures. The DSS revised the policy, effective for authorizations after March 2015, to require parents to complete and sign a client relationship form listing and attesting to the relationships between related children and the FOL provider. The revised policy requires the parent provide verification of listed relationships (birth certificates, marriage licenses, etc.) upon request.

To test compliance with various Child Care program requirements, we sampled eligibility documentation for 60 children. The DSS paid 10 FOL providers on behalf of some of these children; 7 that were paid for caring for more than four Child Care subsidy children during at least 1 month during state fiscal year 2015. These 7 providers were paid to care for 5 to 10 related and unrelated Child Care subsidy children during the month reviewed, a total of 54 children. We reviewed the relationship codes and supporting information in the case file and/or the FAMIS for all Child Care subsidy children cared for by these providers during the month reviewed. For those relationship codes not supported in the case file or the FAMIS, we requested supporting documentation from CD personnel. All payments to the 10 FOL providers reviewed were authorized prior to the March 2015 policy revision.

For 3 of 7 (43 percent) FOL providers reviewed, the ES did not enter the correct relationship into the FAMIS or the DSS could not verify the recorded relationship for

some children cared for by the provider. For one provider, the ES entered the relationship code for aunt instead of great-aunt for 6 of the 10 Child Care subsidy children cared for by the provider. Section 210.211.1(1), RSMo and DSS Income Maintenance policy number 1215.010.05 define aunts as related persons and great-aunts as unrelated. Because the incorrect relationship code was entered for the 6 children, neither the ES or the FAMIS identified the provider as noncompliant with state licensing requirements and ineligible for Child Care subsidy payments. For the other two providers, the DSS could not confirm the recorded relationships; as a result, the providers may have cared for more than the four unrelated children during the month tested. If so, all three providers operated in violation of state child care licensing laws and were ineligible for the program. The DSS paid these three providers \$6,360 during the month reviewed. We question the federal share of \$4,687 (73.70 percent). If similar classification errors and the inability to verify relationships were made for the remaining 976 FOL providers paid for more than four children for at least 1 month during state fiscal year 2015, questioned costs could be significant.

An eligible child care provider is defined by 45 CFR Section 98.2 as a provider for child care services for compensation that is licensed, regulated, or registered under applicable state or local law and satisfies state and local requirements, including health and safety requirements. Section 210.211.1, RSMo, states it is unlawful for any person to establish, maintain, or operate a child care facility without a valid license issued by the Missouri Department of Health and Senior Services unless the provider meets one of the listed exemptions. Section 210.211.1(1), RSMo, exempts from licensure any person who is caring for four or fewer unrelated children. Children related to the provider by blood, marriage, or adoption within the third degree are not considered in the total number of children being provided care.

In December 2015, the Department of Health and Human Services, Administration for Children and Families, Office of Child Care issued two decision letters stating it concurred with the two prior audit findings and the DSS had resolved or planned to resolve the related questioned costs. The DSS needs to continue to review, strengthen, and enforce policies and procedures to ensure FOL providers comply with DSS policy and state law. These procedures should ensure adequate review of client relationship forms and other documentation supporting each child's relationship to each FOL provider providing care for the child. Documentation supporting the relationship verification should be maintained.

WE RECOMMEND the DSS through the CD improve controls and procedures to ensure child care providers participating in the Child Care subsidy program are in compliance with DSS policy and state licensing requirements, and retain necessary documentation to support verifications of relationships.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2015-004. Social Services Block Grant Subrecipient Monitoring
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Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2015 - 1501MOSOSR and 2014 - 1401MOSOSR
State Agency: Department of Social Services (DSS)

The DSS has not established adequate controls and procedures to monitor Caring Community Partnerships (CCPs) for compliance with Social Services Block Grant (SSBG) requirements. During the year ended June 30, 2015, the DSS disbursed to 21 CCPs approximately \$7.6 million of the total \$9.3 million in SSBG funds passed through to subrecipients.

The DSS enters into grant agreements with the 21 CCPs to help fund the caring community initiatives in each of the CCP's geographic area. The CCPs are not-for-profit organizations that work with local, state, and federal partners to administer the state-wide Caring Communities program and meet local social service needs. The objectives of the Caring Communities program include: parents working; children safe in their families and families safe in their communities; children ready to enter school; children and families that are healthy; children and youth succeeding in school; and youth ready to enter the work force and become productive citizens. The CCPs receive additional funding from various state and federal sources. The DSS enters into 3-year agreements with the CCPs that provide for quarterly reimbursements of actual costs incurred for services and activities in accordance with DSS-approved annual budgets. The CCP annual budgets are submitted to the DSS Community Enterprise Unit (CEU) staff and include various general budget categories such as neighborhood facilitation; data, evaluation, and communication; and supplies. The CCPs submit quarterly requests for reimbursement, and CEU staff ensure the approved budgets are not exceeded before approving the payments.

The CEU reviews the activities of each CCP by requiring them to provide an annual self-assessment of their compliance with general contract requirements and by performing annual on-site visits. During the on-site visits, CEU staff review CCP programs to ensure core objectives are being addressed. In addition, the Division of Finance and Administrative Services, Compliance and Quality Control Unit is responsible for ensuring the CCPs have an OMB Circular A-133 audit, when applicable.

The CEU's monitoring procedures over the CCPs do not address compliance with SSBG requirements. The grant agreements do not mention the SSBG as a funding source,

include or refer to the requirements of the SSBG, or include the identifying grant award information. During reviews of quarterly reimbursement requests and on-site visits, CEU staff do not review for CCP compliance with SSBG requirements. The CEU staff responsible for reviewing and approving quarterly reimbursement requests indicated they did not know the CCP agreements were funded by the SSBG or what costs are allowable for the SSBG. Furthermore, the CEU does not require CCPs to submit documentation supporting amounts requested and reimbursed and does not review this documentation, at least on a test basis, during on-site visits.

OMB Circular A-133, Subpart D, Section 400(d)(3) requires the DSS to monitor subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts and grant agreements. According to OMB Circular A-133 Compliance Supplement Part 3.1, subsection M., dated June 2015, the DSS is responsible for monitoring the subrecipients' use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements and that performance goals are achieved. This subsection also requires the DSS, at the time of the award, to identify award information (i.e., CFDA title and number, award name and number, whether the award is 'research and development', and name of the federal awarding agency) and applicable compliance requirements imposed by laws, regulations, and the provisions of contract or grant agreement. Effective monitoring procedures should include reviewing supporting documentation to ensure subrecipient expenditures are allowable costs of the federal program. Without communicating SSBG requirements to subrecipients and ensuring adequate monitoring procedures are in place, the DSS has less assurance the CCPs are in compliance with SSBG requirements.

WE RECOMMEND the DSS modify subrecipient monitoring procedures over Caring Community Partnerships to include procedures to monitor for compliance with SSBG requirements. In addition, the DSS should communicate the requirements of the SSBG and required grant identification information to the Caring Community Partnerships.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2015-005. Adoption Assistance - Eligibility and Assistance Payments
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.659 Adoption Assistance 2014 - 1401MO1407 and 2015 - 1501MOADPT
State Agency:	Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs:	\$11,538

As noted in the three previous audits³ of the Adoption Assistance program, the CD made payments on behalf of ineligible children and appears to have backdated some subsidy agreements. During the year ended June 30, 2015, the CD provided Adoption Assistance benefits totaling over \$46 million for approximately 11,750 children.

The Adoption Assistance program assists families in adopting eligible children with special needs by providing subsidy payments to adoptive parents. To be eligible to receive benefits under the program, eligibility requirements outlined at 42 U.S.C. 673 must be met. The DSS is required to enter into adoption subsidy agreements with adoptive parents who receive subsidy payments on behalf of the child. The nature of services to be provided and nonrecurring expenses to be paid must be stated in the subsidy agreement as required by 45 CFR Section 1356.40 and 45 CFR Section 1356.41. In addition, the agreement must be signed and in effect prior to or at the time of the final adoption decree. The DSS Child Welfare Manual Adoption Subsidy policy requires subsidy agreements be signed by both the adoptive parents and the CD Director to be considered in effect. Subsidized costs may include maintenance, child care, and nonrecurring adoption expenses.

To test compliance with these requirements, we reviewed eligibility and payment documentation for 60 children receiving Adoption Assistance. Assistance payments totaling approximately \$271,700 were made on behalf of these children during the year ended June 30, 2015. Our review noted the following:

- A. For one (2 percent) case tested, payments were made on behalf of a child ineligible for Adoption Assistance benefits because the adoption subsidy agreement was not signed and in effect prior to or at the date of adoption. For this case, the adoption subsidy agreement was not signed by all applicable parties and effective until 18 days after the adoption decree. Payments totaling \$8,052 were made on behalf of the ineligible child during the year ended June 30, 2015. We question the federal share of \$5,078 (approximately 63 percent). Cumulative payments totaling \$21,589 for this case were charged to the Adoption Assistance program from November 2012 to June 2015. The payments made for this case during state fiscal year 2015 were included in the questioned costs above.
- B. For some additional cases, it appears the subsidy agreements were not signed and in effect prior to or at the date of the adoption decree because the CD Director's signature date was apparently backdated.

Subsidy agreements are established by case workers and reviewed by supervisors in the local offices. After the subsidy agreements are signed by the adoptive parents and reviewed and approved by local office supervisors, the agreements are sent to the Central Office Contract Management Unit (CMU) where the CD Director's signature is applied with a stamp by CMU staff.

³ *State of Missouri Single Audit*, finding numbers 2014-008, 2011-15, and 2009-14.

For two (3 percent) cases tested, local office supervisors signed the agreements after the adoption date, but the CD Director's signature pre-dated the adoption, indicating the agreement was backdated and not in effect prior to the adoption decree. CD officials indicated backdating of subsidy agreements by CMU personnel was permissible under DSS policy prior to May 2008, and backdating was utilized because of a backlog in processing and submitting the subsidy agreements to the CMU. For these two cases, payments totaling \$10,243 were made during the year ended June 30, 2015. We question the federal share of \$6,460 (approximately 63 percent). The subsidy agreements for both of these cases were established in 2001. Cumulative payments totaling \$45,079 and \$112,708 for these two cases were charged to the Adoption Assistance program through June 30, 2015. The payments made for these cases during state fiscal year 2015 are included in the questioned costs above.

For another four cases, the date of the CD Director's signature precedes the adoptive parents' or local supervisors' signature dates or precedes the date the document was received by the CMU. However, the latest date shown on the subsidy agreement is before the adoption date so we are unable to determine if the agreement was signed and in effect before the adoption decree. We do not question costs for these cases, but it is unclear why the DSS would backdate these agreements if they were truly effective before the adoption date.

In May 2008, the CD issued a policy memo prohibiting backdating of subsidy agreements. The subsidy agreements for all six cases noted above were established prior to this directive. Our review of subsidy agreements established after this directive noted no instances of apparent backdating.

The failure to ensure adoption subsidy agreements are signed by all applicable parties prior to the adoption can result in federal reimbursements for ineligible children and/or unallowable costs.

WE RECOMMEND the DSS through the CD ensure all adoption subsidy agreements are signed and effective prior to the adoption. In addition, the CD should refund the federal share of cumulative overpayments.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2015-006.

Cost Pool Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal program: 93.558 Temporary Assistance for Needy Families
2014 - G1401MOTANF and 2015 - G1502MOTANF

93.658 Foster Care - Title IV-E
 2014 - G1401MO1401 and 2015 - G1501MOFOST
 93.659 Adoption Assistance
 2014 - G1401MO1407 and 2015 - G1501MOADPT
 93.778 Medical Assistance Program
 2014 - 1405MO5ADM and 2015 - 1505MO5ADM
 State Agency: Department of Social Services (DSS) – Division of Finance and
 Administrative Services (DFAS)
 Questioned Costs: \$542,710

DFAS controls and procedures over the allocation of some administrative costs to federal programs were not sufficient to prevent and/or detect cost allocation errors. As a result, costs of the Guardianship Assistance program were improperly allocated to four federal programs.

The DFAS has developed procedures to identify, measure, and allocate all costs to state and federal programs administered by the department. These procedures provide for the quarterly allocation of costs using comprehensive cost allocation spreadsheets that contain formulas to allocate costs to the various programs in accordance with DSS' federally-approved public assistance cost allocation plan. DFAS personnel perform a documented review of the cost allocation spreadsheets and supporting information.

Various administrative costs including salaries, benefits, and other operational costs are included in the Children's Services Cost Pool (CS Pool) and allocated to various state and federal programs based on random moment time studies (RMTS). Randomly selected CD staff are contacted by email at random moments and asked to record what program/activity they are engaged in at that moment. DFAS personnel enter the quarterly results of these RMTS into the cost allocation spreadsheets and the results are used to allocate the CS Pool amount to various programs. Beginning in the second quarter of state fiscal year 2015, the Guardianship Assistance program was added to the RMTS. For the last 3 quarters of state fiscal year 2015, the Guardianship Assistance program accounted for an average of approximately 1 percent of the RMTS results. DFAS personnel indicated the amounts allocated to the Guardianship Assistance program should be allocated to "state only" as the DSS has not received federal approval to allocate cost pool expenditures to the federal Guardianship Assistance program.

Our review of selected sections of the state fiscal year 2015 cost allocation spreadsheets identified overstatements totaling approximately \$793,766 (\$542,710 federal share) for four federal programs. The overstatements occurred because RMTS results for the Guardianship Assistance program were not entered into the cost allocation spreadsheets and included in the allocation of CS Pool amounts to the various programs. As a result, the proportion of costs that should have been allocated to the Guardianship Assistance program were improperly allocated to four federal programs. DFAS personnel stated the RMTS results for the Guardianship Assistance program

were not entered into the cost allocation spreadsheets because they intended to allocate the proportion of the costs to "state only". However, because the Guardianship Assistance program results were not entered, the spreadsheet formulas recalculated the RMTS results based on the results of the remaining programs, causing the allocation percentages for those programs to be overstated.

We question the federal share of costs related to the overstatements for the last 3 quarters in state fiscal year 2015 because those costs were not allowable costs of the applicable federal programs as listed below:

CFDA #	Program	Questioned Costs
93.558	Temporary Assistance for Needy Families	\$ 283,488
93.658	Foster Care - Title IV-E	222,070
93.659	Adoption Assistance	26,383
93.778	Medical Assistance Program	10,769
Total		\$ 542,710

OMB Circular A-87, Attachment A, Section C.3.a states that a cost is allocable to a particular cost objective if the related goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received.

WE RECOMMEND the DSS through the DFAS strengthen controls and procedures to ensure the accurate allocation of Children's Services Cost Pool amounts to federal programs.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2015-007.	Payment Coding
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.090 Guardianship Assistance 2014 - G1401MO1409 and 2015 - G1501MOGARD 93.659 Adoption Assistance 2014 - 1401MO1407 and 2015 - 1501MOADPT
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)
Questioned Costs:	\$370,094

Some coding errors noted in our prior audit⁴ were not corrected; as a result, some administration costs of the federal Guardianship Assistance program and the state Adoption Assistance program were incorrectly claimed to the federal Adoption Assistance program.

Several times each month, the DFAS processes payments from the Family and Children's Electronic System (FACES) to residential facilities, foster and adoptive parents, and legal guardians caring for children who are or were in state custody. Personnel in the DFAS Accounts Payable Unit enter total FACES payments into the statewide accounting system (SAM II) using predetermined coding that allocates the payments to various state and federal programs. DFAS and CD personnel establish how FACES payments should be coded in SAM II and create the coding template used by DFAS Accounts Payable Unit staff. CD officials indicated the established SAM II coding is updated as needed if there are significant changes to FACES coding or federal program provisions.

In response to prior audit findings, effective March 2015, CD and DFAS staff made adjustments to coding procedures to prevent future coding errors. In addition, the DSS adjusted federal reports in June and December 2015 to resolve state fiscal year 2014 questioned costs. However, the DFAS did not correct some coding errors made in state fiscal year 2015 through March 2015, and payments were incorrectly claimed to the federal Adoption Assistance program.

- The DSS incorrectly claimed \$231,587 in federal Guardianship Assistance program administration payments from July 2014 to January 2015 to the federal Adoption Assistance program by allocating payments coded to FACES fund code 16, Guardianship Assistance and Administration, to the SAM II coding for the federal Adoption Assistance program. The DSS subsequently claimed these payments incorrectly as federal Adoption Assistance program expenditures on federal reports. To be allowable federal Adoption Assistance program costs, the payments would have to be made on behalf of legally adopted children for whom the DSS has a signed adoption subsidy agreement pursuant to 42 U.S.C. 673 and 45 CFR Section 1356.40. Payments for children coded to FACES fund code 16 for Guardianship Assistance would not meet these requirements. We question the federal share of \$115,794 (50 percent) of administration payments made through FACES fund code 16 that were charged to the Adoption Assistance program.
- The DSS incorrectly claimed \$508,599 in state Adoption Assistance program administration payments made from July 2014 to March 2015 to the federal Adoption Assistance program by allocating payments coded to FACES fund codes 03, 05, and XX, state-only and miscellaneous Adoption Assistance payments, to the SAM II coding for the federal Adoption Assistance program. The DSS subsequently claimed these payments incorrectly as federal Adoption Assistance program expenditures on federal reports. We question the federal share of \$254,300 (50 percent) of state Adoption Assistance administration payments that were charged to the federal Adoption Assistance program.

⁴ *State of Missouri Single Audit*, finding numbers 2014-004B and 2014-004C.

Good internal controls require adequate procedures to ensure amounts charged to federal programs are accurate and allowable for the program. Such procedures should provide for appropriate corrections when coding errors are identified.

WE RECOMMEND the DSS through the CD and DFAS continue to review, strengthen, and enforce controls and procedures to ensure payments are correctly coded and claimed to the appropriate federal program(s), and identified errors are corrected.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2015-008. Medicaid Management Information System Access
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2013 - 1305MO5021 and 2014 - 1405MO5021 93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD does not have sufficient controls in place over Medicaid Management Information System (MMIS) access rights to ensure user accounts are timely removed from the system when users are no longer employed in positions needing access. The MMIS is the benefit claims processing and information retrieval system used by the MHD for the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP). Various DSS employees and employees of DSS contractors have access to the MMIS.

We tested 25 active MMIS user accounts as of October 1, 2015, and found 4 (16 percent) accounts for individuals who had terminated employment from the DSS or from a contractor. Access for these 4 accounts had not been removed although the individuals had been terminated for 8 to 35 months. Our additional review of contractor access identified 2 contractors with 23 active MMIS user accounts for employees as of June 30, 2015, although their contracts had expired in 2010 and 2014.

DSS policy requires supervisors notify MMIS security officers of employee terminations so the MMIS access can be removed. DSS officials indicated MMIS staff review user account access every 2 years to ensure access for terminated employees or contractors has been removed, and the review may take 1 to 2 years to complete. The most recently completed review was finished in 2013 and the current review began in May 2015, but had not been completed as of March 2016. The instances of inappropriate access noted in

the audit occurred after the last access review, except for access of the contractor that terminated in 2010, which DSS officials indicated was not previously identified due to an oversight. Performing reviews of MMIS user account access every 2 years does not appear frequent enough to satisfy federal requirements that procedures should provide for termination of access when employment ends. In addition, the DSS has not formalized the access review process in a policy.

The Health Insurance Portability and Accountability Act (HIPAA) requires the state to follow 42 CFR Section 164.308, that requires implementation of procedures for terminating access to electronic protected health information when the employment of a workforce member ends. The failure to perform timely reviews of MMIS user access rights and remove all terminated employees' and contractors' access on a timely basis increases the risk of unauthorized access and may compromise the confidentiality and integrity of MMIS data.

WE RECOMMEND the DSS through the MHD review, strengthen, and enforce controls to periodically review user access to the MMIS and ensure inappropriate access, including that of terminated users, is removed in a timely manner.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes planned actions to address the finding.

2015-009.

Receipt Controls

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2013 - 1305MO5021 and 2014 - 1405MO5021
	93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD does not have adequate controls in place to ensure the proper management of receipts received by the division, which totaled approximately \$657 million during the year ended June 30, 2015. Of this amount, approximately \$615 million was received by the MHD in the form of checks, money orders, and cash; the remainder was received through a contractor lockbox. These receipts include monies received from participants, providers, and insurance companies for items such as premiums, reimbursements, and taxes related to the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP).

The MHD Financial Services Unit receives monies, posts the receipts to the Medicaid Management Information System (MMIS), and prepares deposits. MHD program staff apply the receipts to the applicable accounts receivable in the MMIS. Certain receipts are received through a lockbox, and a contractor posts and applies these receipts to accounts receivable in the MMIS and prepares the deposits.

- A. The MHD does not perform a reconciliation of cash control numbers to receipts to ensure all monies received are properly deposited or returned to senders. The MMIS assigns receipt numbers, also called cash control numbers, when MHD and contractor staff post receipts in the system. There is no reconciliation of cash control numbers assigned to receipts deposited or returned to senders to ensure all receipts are properly handled. Failure to properly account for monies received increases the risk of misappropriation.
- B. The MHD does not restrictively endorse money orders immediately upon receipt. Restrictive endorsement is not applied until the receipt has been posted to accounts receivable and is ready for deposit. During a count of undeposited items on December 8, 2015, we identified 171 money orders totaling \$18,241 that were not restrictively endorsed. Failure to restrictively endorse money orders immediately upon receipt increases the risk of misappropriation.
- C. The MHD did not adequately restrict user access within the cash receipts and accounts receivable modules of the MMIS. Our review identified two employees that had the ability to record receipts and update or close the related accounts receivable in the MMIS, which increases the risk of misappropriation. Proper segregation of duties for user access in the MMIS should separate duties involving the recording of receipts and modification of accounts receivable records.

The *Standards for Internal Control in the Federal Government*, also known as the Green Book, provides that management should establish physical controls to periodically compare vulnerable assets to control records; secure and safeguard vulnerable assets; and consider segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, design alternative control activities to address the risk. Federal regulation 2 CFR Section 200.303 effective for federal awards issued on or after December 26, 2014, requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States and the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission."

WE RECOMMEND the DSS through the MHD:

- A. Establish controls to reconcile cash control numbers to receipts to ensure all receipts are deposited or returned to senders.
- B. Establish controls to restrictively endorse money orders immediately upon receipt.
- C. Restrict user access within the MMIS and adequately segregate duties related to record keeping and asset custody.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2015-010.	Physician-Administered Drugs
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2013 - 1305MO5021 and 2014 - 1405MO5021 93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs:	Unknown

The MHD did not establish controls to comply with Medical Assistance Program (Medicaid) and Children's Health Insurance Program (CHIP) requirements to invoice prescription drug manufacturers for rebates for physician-administered drugs. As a result, the MHD claimed costs of physician-administered drugs, which were not allowable costs of the programs because rebates were not billed for the drugs.

The Deficit Reduction Act of 2005 amended section 1927 of the Social Security Act to address rebates for physician-administered drugs, which are medications administered by a physician in an outpatient hospital setting. Effective January 2008, the Social Security Act, 42 U.S.C. Section 1396r-8(a)(7) requires states to capture drug utilization data using National Drug Codes (NDCs) for single-source and top-20 multiple-source drugs from the provider when the claim is submitted to the state. As required by 42 U.S.C. Section 1396r-8, NDCs are used to identify and bill the drug manufactures for rebates for applicable drug purchases. Federal regulation 42 CFR Section 447.520 prohibits federal reimbursement for physician-administered drugs for which the state has not required the submission of claims using NDCs to identify the drugs. Based on data from manufacturers, the Department of Health and Human Services - Centers for Medicare and

Medicaid Services (CMS) calculates a per-unit rebate amount states can bill for each drug administered. The states are to report the applicable drug utilization information by NDC to the manufacturers and bill the manufacturers quarterly for the drug rebate amounts. States are required by 42 U.S.C. Section 1396r-8 to offset the Medicaid and CHIP prescription drug claims by the rebate amounts.

The MHD applied for and received a waiver from the CMS to extend implementation of the requirement to collect the NDCs for physician-administered drug claims to June 30, 2008. In February 2008, the MHD notified providers they were required to provide NDCs on physician-administered drug claims, and that claims without NDCs would be denied. However, many providers still do not provide the required NDCs when they submit physician-administered drug claims through the Medicaid Management Information System (MMIS), and the MHD has not modified the MMIS to deny claims that lack this data.

An audit performed by the federal Department of Health and Human Services (DHHS) - Office of Inspector General (OIG), *Missouri Claimed Unallowable Federal Reimbursement For Some Medicaid Physician-Administered Drugs*, released in April 2015, noted the MHD did not bill prescription drug manufacturers for rebates as required because the MHD did not always collect NDCs on provider claims for physician-administered drugs. The DHHS-OIG audit stated because the MHD did not require NDCs for all physician-administered drug claims, the MHD could not bill the manufacturers for applicable rebates. As a result, the MHD improperly claimed federal reimbursement for some of these drugs. The report questioned costs of \$34,837,957 for the 3 years ended December 31, 2011.

Because the MHD did not implement system controls to require collection of NDCs for all physician-administered drug claims, the MHD cannot bill the prescription drug manufacturers for rebates for those physician-administered drug claims that lack the required NDCs. The MHD has not complied with federal requirements related to drug rebates, and the physician-administered drug claims for which rebates were not billed are not allowable for federal reimbursement. Due to limitations in the physician-administered drug claims information and information available to state auditors, we were unable to identify the expected rebate amounts for the physician-administered drug claims paid in the year ended June 30, 2015 for which rebates were not billed. As a result, questioned costs resulting from these claims are likely, but could not be determined.

WE RECOMMEND the DSS through the MHD establish controls to ensure the required drug utilization data is obtained for all physician-administered drug claims and ensure only allowable costs are claimed for the Medicaid and the CHIP.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

Medicare Buy-In Program Report Reviews

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2014 – 1405MO5MAP and 1405MO5ADM 2015 – 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs:	\$5,048

As noted in two prior audit reports⁵, the MHD does not have effective controls in place for the review of some reports necessary to ensure compliance with enrollment requirements of the Medicare Buy-In program. As a result, the MHD failed to add some participants to the Buy-In program resulting in lost cost-savings to the Medical Assistance Program (Medicaid), and failed to remove some participants resulting in unallowable costs charged to the program. The MHD has taken steps to implement our prior recommendations, such as improving reports and performing supervisory reviews; however, significant turnover during state fiscal year 2015 hindered the division's ability to fully implement the new control measures.

Some state Medicaid participants may also be enrolled simultaneously in the federal Medicare program, known as dually eligible. For these participants, the Medicare program is the primary insurance, and the Medicaid program is the secondary insurance. This arrangement is cost-beneficial to the state because the Medicaid program is only responsible for expenses not covered by the Medicare program, such as deductible and coinsurance amounts. When participants are dually eligible, they may also qualify for the Medicare Buy-In program. Under this program, the MHD may use Medicaid funds to pay the Centers for Medicare and Medicaid Services (CMS) for premiums and other charges for certain qualified participants in Medicare Part A (hospital insurance) and Part B (medical insurance) as allowed by federal regulations 42 CFR Sections 406.26, 407.40, and 431.625. Of approximately 1 million Medicaid participants as of June 30, 2015, approximately 104,000 were enrolled in the Buy-In program.

MHD responsibilities for the Buy-In program include identifying existing Medicaid participants qualified for the program and enrolling them in the program, maintaining participant enrollment records, removing participants when they are no longer qualified for the program, and verifying payments for Medicare premiums. When a participant is determined to qualify for the Buy-In program, the MHD attempts to recover previous Medicaid payments from providers for certain services and notifies providers to resubmit the claims to the Medicare program. Federal regulation 42 CFR Section 424.44 provides that Medicare cannot be billed if the dates of service exceed timely filing requirements for Medicare claims, which is 12 months (1 full calendar year). When a participant is determined to no longer qualify for the Buy-In program, the MHD sends a notice to the

⁵ *State of Missouri Single Audit*, finding numbers 2014-014 and 2013-021B.

CMS. Federal regulation 42 CFR Section 407.48(c) requires the MHD to send the notice within 2 months of the month the participant no longer qualified for the Buy-In program. The regulation provides that the MHD can only recoup Medicare premiums paid in the 2 months prior to sending the notice.

To accomplish Buy-In program responsibilities, the MHD generates and reviews various system-generated reports. MHD staff review four daily and monthly reports of Medicaid participants with changes that may affect qualification for the Buy-In program. While reviewing these reports, MHD staff are to research each participant and manually add to or remove them from the Buy-In program, as necessary. During the year ended June 30, 2015, there were approximately 4,400 participants listed on these reports each month. MHD staff review a fifth report of previous Medicaid payments for participants recently identified as qualified for the Buy-In program, and work with the providers for recoupment of these payments.

We tested 40 participants from each of 3 state fiscal year 2015 Buy-In reports and 86 participants from the 4th report (206 participants in total) to determine if MHD staff reviewed the participants and properly added or removed the participants' Buy-In program enrollment.

- We identified 25 participants (12 percent) that MHD staff failed to review and make necessary changes to the participants' Buy-In program enrollment status. For some participants, MHD staff did not perform a review at all. For other participants, MHD staff reviewed and determined enrollment changes were necessary, but did not ensure the changes were properly processed. As a result, 11 participants that qualified for the Buy-In program were not added to the program and 14 participants that no longer qualified were not removed from the program.
- We identified 36 participants (17 percent) that were reviewed by the MHD staff, but the review and enrollment changes were not processed timely. As a result, 30 participants that qualified for the Buy-In program were not added to the program timely and 5 participants that no longer qualified were not removed from the program at the appropriate time. One participant required no action.

When the MHD fails to enroll qualified participants in the Buy-In program, Medicaid costs are not shifted to the Medicare program and the state does not receive the cost-savings available from the program. In addition, the MHD does not cover the cost of Medicare premiums, leaving participants responsible for these costs. Furthermore, when the MHD fails to enroll participants in the Buy-In program timely, any claims for services provided more than 12 months prior to processing the participants' enrollment and that would have been allowable if timeliness requirements were met cannot be shifted to the Medicare program. We reviewed state fiscal year 2015 reports of Medicaid claims previously paid for participants recently enrolled in the Buy-In program. The reports included 12,249 claims paid prior to enrollment in the Buy-In program. Of these claims, 559 (5 percent) totaling \$525,768, were for services provided to 242 participants more than 12 months prior to the participant's enrollment. The state could not recoup any

portion of these claims because the timely filing requirement had passed before the Buy-In program qualification was determined. Because the claims were not submitted for recoupment, we were unable to determine the amounts that would have been recouped and submitted to Medicare for these 559 claims or the 41 participants identified in our test that were not enrolled or enrolled timely in the Buy-In program. As a result, questioned costs resulting from these claims are likely, but could not be determined.

When the MHD does not remove a participant from the Buy-In program when no longer qualified, the state continues to pay Medicare premiums for the participant, which are unallowable costs of the Medicaid. The unallowable Medicare premium payments made on behalf of the 19 participants mentioned above who should have been removed from the Medicare Buy-In program totaled \$7,972 during the year ended June 30, 2015. We question the federal share of the unallowable payments, or \$5,048 (63.32 percent).

MHD staff indicated a high turnover in staff during the year ended June 30, 2015 hindered the division's ability to ensure all participants were reviewed and that any action taken resulted in an appropriate change to the participants' Medicare Buy-In program enrollment status. Without fully reviewing reports related to the Buy-In program in a timely manner and ensuring proper handling of those participants, the MHD is not able to ensure only qualified Medicaid participants are enrolled in the Buy-In program.

WE RECOMMEND the DSS through the MHD review, strengthen, and enforce controls to ensure the complete and timely review of all reports related to the Medicare Buy-In program. In addition, the MHD should review, strengthen, and enforce controls to ensure timely performance of required Buy-In enrollment actions.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2015-012.	Medicaid Aged, Blind, and Disabled Eligibility
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD) and Family Support Division (FSD)

The DSS does not have sufficient controls in place over eligibility determinations and reinvestigations to ensure compliance with participant enrollment requirements of aged, blind, and disabled individuals in the Medical Assistance Program (Medicaid). The MO HealthNet for the Aged, Blind, and Disabled (MHABD) are Medicaid-funded programs

administered by the MHD. Of the approximately 1 million Medicaid participants as of June 30, 2015, approximately 277,000 were MHABD participants.

The FSD is responsible for determining the eligibility of MHABD participants. FSD eligibility specialists perform the eligibility determinations and reinvestigations. To ensure compliance with federal eligibility requirements and information is properly and accurately entered into the Family Assistance Management Information System (FAMIS), eligibility supervisors are required to perform monthly supervisory reviews of cases with eligibility actions, including eligibility determinations and reinvestigations. DSS policy Memorandum IM-43 (2006) states management is responsible for ensuring supervisors have completed four reviews per eligibility specialist per month. The results of the monthly supervisory case reviews are used to train eligibility specialists.

Federal regulation 42 CFR Section 435.916 requires a reinvestigation of eligibility at least every 12 months or when criteria affecting a participant's eligibility changes to ensure participants continue to be eligible for benefits. The FAMIS tracks the required eligibility reinvestigation dates for each case and notifies eligibility specialists when the reinvestigations are due.

- A. As noted in our prior audit report⁶, the DSS did not ensure monthly supervisory case reviews for MHABD participants were completed as required during the year ended June 30, 2015. Monthly supervisory case reviews were not performed as required for 52 of 60 (87 percent) eligibility specialists we reviewed. For the month reviewed, 51 eligibility specialists did not have a case review and 1 eligibility specialist only had 1 case review. DSS officials stated the recent reorganization of eligibility specialist duties has made the monthly supervisory case reviews difficult to coordinate; however, beginning in November 2015, these reviews are being performed as required.

Without ensuring supervisory case reviews are performed as required for MHABD cases, the DSS' established controls to ensure compliance with eligibility requirements are diminished. When the case reviews are not performed, there is decreased assurance eligibility determinations are accurate and increased risk of errors going undetected.

- B. The DSS does not ensure annual reinvestigations are performed timely, as required, to determine continued need of Medicaid benefits for MHABD participants. According to DSS reports, as of July 31, 2015 there was a backlog of reinvestigations due for approximately 78,900 MHABD participants.

DSS officials indicated the backlog of reinvestigations was due to the recent FSD reorganization of eligibility specialist duties and increased initial applications. In an effort to reduce the backlog, DSS staff were paid overtime to work the backlog during the periods of August 1, 2015 to September 30, 2015 and December 8, 2015 to January 17, 2016. According to DSS reports, as of January 27, 2016 the

⁶ *State of Missouri Single Audit*, finding number 2014-013A.

backlog was reduced to approximately 200 MHABD participants. DSS officials indicated they will continue to monitor the backlog to determine if all overdue reinvestigations can be performed with the current staffing level.

We reviewed 60 MHABD participants to ensure eligibility requirements were met, of which 46 participants required a reinvestigation during the year ended June 30, 2015. The DSS did not re-determine eligibility timely for 22 of the 46 (48 percent) participants. Reinvestigations were not performed for 5 to 319 days after they were due. Upon completing the reinvestigation, DSS staff found all 22 participants were still eligible for MHABD benefits.

The failure to perform annual reinvestigations as required can result in medical payments made on behalf of ineligible individuals. Without timely reinvestigations, the DSS has not complied with federal regulations.

WE RECOMMEND the DSS through the MHD and the FSD:

- A. Follow established DSS policy to ensure monthly supervisory case reviews of MHABD cases are performed.
- B. Ensure MHABD eligibility reinvestigations are completed timely as required.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2015-013.	Income Eligibility and Verification System
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2014 - G1402MOTANF and 2015 - G1502MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	\$10,395

As noted in our prior four audits⁷, the FSD has not established adequate controls to ensure appropriate actions are taken regarding Income Eligibility and Verification System (IEVS) match results. The FSD did not act promptly or properly on IEVS quarterly data match results affecting Temporary Assistance for Needy Families (TANF) eligibility or benefits for 13 of 60 (22 percent) recipients reviewed. During the year ended June 30,

⁷ State of Missouri Single Audit, finding numbers 2014-009A, 2013-015A, 2012-15A, and 2011-18A.

2015, the DSS expended federal funding of about \$183 million for the TANF program, including about \$70 million in basic assistance payments to families.

As required by federal regulations, the DSS performs quarterly data matches utilizing the IEVS. The quarterly matches identify changes that could impact case eligibility or benefit amounts and flag those cases for review. An email is generated to the FSD caseworker assigned to the case regarding the needed case review, and the caseworker is required to perform the case review within 45 days and take appropriate action regarding recipients' TANF benefits. Actions may include closing the case if the recipient no longer meets eligibility requirements, revising the benefit amount, and/or establishing claims for recoupment of benefits overpaid.

We tested 60 cases with payments totaling \$112,311 during the year ended June 30, 2015. For 24 of the 60 cases, IEVS quarterly data matches identified changes in household income that could impact eligibility or benefit amounts and flagged those cases for FSD review. For 11 of the 24 cases, the FSD case worker reviewed the case within 45 days and took appropriate action. However, for 9 cases the FSD caseworker reviewed the case within 45 days and closed the case or revised the benefit amount, but did not establish a claim for recoupment of benefits overpaid. In addition, for 4 cases the FSD caseworker did not review the case; as a result, the case was not closed, benefits were not reduced, and/or a recoupment claim was not established. Improper benefits paid during the year ended June 30, 2015 for the 13 cases that were not reviewed or no claim established totaled \$10,395, for which we question the entire amount (100 percent federal share).

As required by 45 CFR Section 205.55, the DSS must periodically request and obtain wage, unemployment, social security, citizenship and immigration, and tax information. Additionally, 45 CFR Section 205.56 requires the DSS to review the information obtained and compare that information to the case file to determine whether it affects the individual's eligibility or amount of assistance received, within 45 days of receipt.

In February 2015, the Department of Health and Human Services, Administration for Children and Families (ACF) issued a decision letter regarding the state fiscal year 2011 finding, stating the DSS was in the process of developing improved procedures. The ACF accepted DSS' response to the finding and reminded the DSS that repeat findings in this area could result in penalty liability. The DSS needs to review, strengthen, and enforce controls and procedures to ensure cases flagged for review in the IEVS quarterly match are timely reviewed and all appropriate actions are taken regarding eligibility, benefits, and recoupment of overpayments.

WE RECOMMEND the DSS through the FSD strengthen controls to ensure proper and timely action is taken regarding Income Eligibility and Verification System match results including case closure, benefit adjustment, and recoupment of overpayments.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2015-014.	TANF Work Participation Sanctions
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2014 - G1402MOTANF and 2015 - G1502MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	\$217

As noted in our prior four audit reports⁸, the FSD did not have adequate controls in place to ensure Temporary Assistance for Needy Families (TANF) recipients who failed to meet work participation requirements were sanctioned. As a result, some TANF recipients who failed to meet work participation requirements were not sanctioned and continued to receive full benefits.

The FSD contracts with 10 community organizations for the 19 regions in the Missouri Work Assistance (MWA) program to perform many of the required TANF work activity functions. The FSD refers TANF recipients who are required to participate in eligible work activities to the MWA contractors. Contractor duties include case management, enrollment, and reporting recipient hours of participation and noncompliance to the FSD. The MWA contractors are required to place recipients who are not meeting work participation requirements in conciliation status; attempt to locate and re-engage recipients, if necessary; and provide recipients the opportunity to begin work participation activities. Recipients who fail to meet the work participation requirements and do not meet an exception are referred to the FSD for a sanction to be applied to their monthly benefits. The DSS has established the sanction at 25 percent of the monthly benefit amount. Payments to the MWA contractors totaled about \$19.3 million during the year ended June 30, 2015.

The FSD's monitoring and training of the MWA contractors has not been effective to ensure the contractors comply with sanction policies and procedures. The FSD performs periodic reviews of 3 to 5 percent of cases in each region selected using a targeted risk-based approach, performs quarterly sampling of cases with no reported hours of work activity in each region, and performs on-site reviews of each contractor at least once every 3 years. During state fiscal year 2015, the FSD and the Division of Finance and Administration jointly issued 7 monitoring review reports of MWA contractors covering 16 regions. Five of these reports showed contractors in 10 regions substantially failed to

⁸ *State of Missouri Single Audit*, finding numbers 2014-010B, 2013-016B, 2012-16B, and 2011-20B.

comply with conciliation/sanction policies and procedures, noting error rates of noncompliance ranging from 17 to 84 percent. The DSS required the MWA contractors to submit corrective action plans to address the issues identified and provided additional training to the contractors based on the case testing results. However, our review indicates monitoring and training activities were not effective to ensure adequate contractor compliance. As a result, the FSD did not ensure MWA contractors complied with policies for reporting recipients who do not comply with work requirements.

A January 2015 report of 15,000 TANF recipients referred to the MWA contractors included approximately 12,300 recipients for which no work activities were reported during the month. We tested 60 of these cases and noted 5 (8 percent) recipients were not appropriately sanctioned for non-compliance with work participation requirements. Thirty-three recipients were appropriately sanctioned and the remaining 22 recipients were not subject to sanction during January 2015 due to various reasons, such as the recipient began participation or the FSD or the recipient closed the case. For three cases, the MWA contractors attempted to engage the recipients in conciliation so they would begin participating in required activities; however, the participants did not respond or begin work participation activities and the MWA contractors failed to notify the FSD of the noncompliance. For two other cases, the MWA contractors took no action and failed to notify the FSD of noncompliance, even though the recipients did not report work activity for several months. In all five cases, the recipient should have been sanctioned for the month of January 2015 if established procedures had been followed. We question the amount of the sanctions that were not imposed on these five recipients for the month of January 2015, which totaled \$217 (100 percent federal share).

As required by 45 CFR Section 261.14, for an individual who refuses to engage in work required under Section 407 of the Social Security Act, the state must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the state may establish. A state that fails to impose penalties on individuals in accordance with the provisions of Section 407(e) of the Social Security Act may be subject to penalty. Under 45 CFR Section 261.54, the federal agency may impose a penalty amount for a fiscal year of no less than 1 percent and no more than 5 percent of the annual grant amount.

In February 2015, the Department of Health and Human Services, Administration for Children and Families (ACF) issued a decision letter regarding the state fiscal year 2011 finding, stating the DSS will begin utilizing new monitoring procedures. The ACF accepted DSS' response to the finding and reminded the DSS that repeat findings in this area could result in penalty liability. DSS officials indicated new monitoring procedures were implemented in state fiscal year 2016. The DSS needs to continue to review, strengthen, and enforce monitoring policies and procedures over MWA contractors to ensure work participation sanctions are imposed as required.

WE RECOMMEND the DSS through the FSD continue to review, strengthen, and enforce controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2015-015.	Medicaid Developmental Disabilities Comprehensive Waiver Group Home Rates
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Mental Health (DMH) - Division of Developmental Disabilities (DD)
Questioned Costs:	\$658,501

The DD did not retain documentation to support per diem rates paid to some group homes for residential habilitation services provided to participants of the Home and Community Based Services (HCBS), Developmental Disabilities Comprehensive Waiver (Comprehensive Waiver) program. As a result, the DD could not demonstrate amounts paid to some group homes were allowable costs of the Comprehensive Waiver program.

The DD with its 11 regional offices is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for children and adults with disabilities, including the Comprehensive Waiver program. Various types of services are allowed under the waiver, including residential habilitation services provided by 414 group homes during state fiscal year 2015. Residential habilitation services include care, supervision, and skills training in activities of daily living, home management, and community integration. Residential habilitation services per diem rates are established for each participant based on the participant's individual needs. Certain costs, such as room and board, are not allowed to be included in group home per diem rates under the waiver program. Each year, a cost of living allowance (COLA) increase may be applied to each per diem rate. During the year ended June 30, 2015, per diem payments for group home habilitation services totaled approximately \$139 million.

To test compliance with various Comprehensive Waiver program requirements, we tested 40 payments to service providers during the year ended June 30, 2015. Of these 40 payments, 13 were to group homes for habilitation services. The DD did not retain documentation to support the per diem rates for all 13 group home habilitation services payments tested. The only documentation retained by the DD were the COLA notices showing some of the revised per diem rates. These notices did not support the various costs included in the per diem rates, and the DD did not retain documentation to support the original rates. Payments to these 13 group homes for habilitation services provided to these participants during the year ended June 30, 2015, for which the per diem rates were

not supported, totaled \$1,011,523. We question the federal share or \$658,501 (65.10 percent).

An audit performed by the federal Department of Health and Human Services (DHHS) - Office of Inspector General (OIG), *Missouri Claimed Unallowable and Unsupported Medicaid Payments for Group Home Habilitation Services*, released in August 2015, noted similar concerns with unsupported per diem rates for some group home payments. The DHSS-OIG audit also determined several per diem rates that were supported by adequate documentation included room and board costs, which are not allowable under the Comprehensive Waiver program.

Without proper documentation of the payment rates, the DD cannot demonstrate that payments based on these rates are proper and only include allowable costs. OMB Circular A-87, Attachment A, Section C.1.j. states costs must be adequately documented to be allowable. Also, the approved DD Comprehensive Waiver Program Application, Appendix I: Financial Accountability, section (e), states "Records documenting the audit trail of adjudicated claims (including supporting documentation) are to be maintained by the Medicaid agency, the operating agency (if applicable), and providers of waiver services for a minimum period of 3 years as required in 45 CFR [Section] 92.42." Adequate documentation of group home habilitation services per diem rates is necessary to ensure compliance with federal requirements related to the Comprehensive Waiver program and ensure only allowable costs are included in the per diem rates.

WE RECOMMEND the DMH through the DD ensure documentation to support group home habilitation services per diem rates is maintained to support Comprehensive Waiver program payments for these services as required, and ensure the rates only include allowable costs.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2015-016.	Medicaid Developmental Disabilities Comprehensive Waiver Payments
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Mental Health (DMH) - Division of Developmental Disabilities (DD)
Questioned Costs:	\$10,916

Controls over Home and Community Based Services (HCBS), Developmental Disabilities Comprehensive Waiver (Comprehensive Waiver) program payments are not sufficient to ensure amounts paid to providers are proper. A data entry error was not detected; as a result, a provider was paid more than the amount authorized for the services rendered.

The DD with its 11 regional offices is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for children and adults with disabilities, including the Comprehensive Waiver program. The Medicaid is administered by the Department of Social Services (DSS) - MO HealthNet Division (MHD), while the DD is charged with assessing and reassessing the need for, and authorizing Comprehensive Waiver program services for applicable Medicaid participants. These services, which are authorized in an Individual Service Plan (ISP), provide assistance to help qualifying participants remain in or return to their home or community. The waiver provides a set of services, including residential habilitation services, to individuals who have been determined to otherwise require the level of care provided by an intermediate care facility for the developmentally disabled. During the year ended June 30, 2015, approximately 8,500 participants were provided Comprehensive Waiver program services totaling approximately \$637 million.

After a participant is determined to have a need for Comprehensive Waiver program services, the DD develops an ISP and budget. The ISP and budget, which are approved by a Utilization Review Committee, identify the services to be provided, period of services, service provider, and cost of the services. DD employees enter this information into DMH's Customer Information Management, Outcomes, and Reporting (CIMOR) computerized system for each participant. DD providers enter the number of service units provided into the CIMOR system, and the system calculates the payment amount based on amounts authorized, subject to pre-programmed maximum rates. DD regional office employees are responsible for ensuring payment amounts are proper by comparing the services provided and related costs to amounts authorized in the ISP/budget and then approving the payments. Once approved, the CIMOR system transmits claims to the MHD's Medicaid Management Information System for payment.

To test compliance with various Comprehensive Waiver program requirements, we tested 40 payments to service providers during the year ended June 30, 2015. Our review of authorizations for these payments identified 1 overpayment (3 percent) which resulted from an undetected data entry error. The payment was made on behalf of a participant who the DD authorized in the ISP/budget monthly residential habilitation services at a rate of \$347.69 per day, or \$10,431 per month/\$126,097 per year. For the month of April 2014, the DD employee erroneously entered the total amount authorized for the year (\$126,097) into the CIMOR system instead of the amount authorized for the month (\$10,431). As a result, the system calculated a daily rate of \$4,203 based on the incorrect authorization amount and then reduced it to the maximum rate of \$906.63. If the authorization had been correctly entered at \$10,431 for the month, the system would have correctly calculated the daily rate of \$347.69. When the provider entered 30 days of services provided for the month, the system calculated a payment of \$27,199 (\$906.63

times 30 days). A DD employee approved the payment, but did not identify the overpayment. As a result, the provider was paid \$27,199, instead of the \$10,431 authorized in the ISP/budget for the month, for an overpayment of \$16,768. We question the federal share of the overpayment amount, or \$10,916 (65.10 percent).

The DD's lack of sufficient controls and procedures to prevent and detect data entry errors caused this error and the related overpayment to go undetected. The DD needs to review and strengthen controls and procedures over Comprehensive Waiver program payments, including CIMOR system controls and data entry and review procedures, to ensure payments are made only for amounts authorized in participants' ISP/budget.

WE RECOMMEND the DMH through the DD review and strengthen controls and procedures over Comprehensive Waiver program payments to ensure payments are made only for amounts authorized.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2015-017. Department of Homeland Security Grants - Subrecipient Monitoring

Federal Agency:	Department of Homeland Security
Federal Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) 2009 - FEMA-DR-1847-MO 2010 - FEMA-DR-1934-MO 2011 - FEMA-DR-1961-MO, FEMA-DR-1980-MO, and FEMA-DR-4012-MO 2013 - FEMA-DR-4130-MO and FEMA-DR-4144-MO 2014 - FEMA-DR-4200-MO 97.039 Hazard Mitigation Grant 2008 - FEMA-DR-1749-MO 2009 - FEMA-DR-1822-MO and FEMA-DR-1847-MO 2010 - FEMA-DR-1934-MO 2011 - FEMA-DR-1961-MO, FEMA-DR-1980-MO, and FEMA-DR-4012-MO 2013 - FEMA-DR-4130-MO and FEMA-DR-4144-MO 97.042 Emergency Management Performance Grants 2013 - EMW-2013-EP-00028 2014 - EMW-2014-EP-00005S01 2015 - EMW-2015-EP-00043
State Agency:	Department of Public Safety (DPS) - State Emergency Management Agency (SEMA) and Department of Public Safety - Office of Director (OD)

Controls and procedures to monitor subrecipients of the Public Assistance (PA) program, the Hazard Mitigation Grant (HMG) program, and the Emergency Management Performance Grant (EMPG) program need improvement. During the year ended June 30, 2015, the SEMA disbursed approximately \$66 million to about 180 PA program subrecipients; approximately \$58 million to about 70 HMG subrecipients; and approximately \$3.8 million to about 120 EMPG program subrecipients. The SEMA receives PA and HMG program funding directly while EMPG program funding is passed through from the OD to the SEMA.

- A. The SEMA and the OD have not established procedures to identify and ensure subrecipients expending \$500,000 or more in federal funds during the year obtained independent Single Audits as required. In addition, the SEMA did not document that Single Audit reports received were reviewed. According to a SEMA official, as of December 2015 none of the reports received during state fiscal year June 30, 2015 had been reviewed by the SEMA or relevant findings followed-up on.

Twenty-two subrecipients received \$500,000 or more in combined federal funds from the PA, HMG, and EMPG programs during state fiscal year 2014, and audit reports should have been completed and submitted to the SEMA during state fiscal year 2015/early state fiscal year 2016. Other subrecipients that received less than \$500,000 in funding from the PA, HMG, and EMPG programs would have also been required to have a Single Audit because they received significant funding from other SEMA programs. We tested 10 of the 22 subrecipients to verify whether the subrecipients had submitted a Single Audit report as required; however, the SEMA had no copy of an audit report for 8 of the 10 (80 percent) subrecipients. While the SEMA had copies of audit reports for two subrecipients, the reports had not been reviewed. These two audits did not include any audit findings.

SEMA officials indicated subrecipients are periodically notified of the audit requirements during meetings and in correspondence, but the SEMA lacks sufficient staffing levels to ensure Single Audit reports are received, reviewed, and followed-up on as required. Similar findings were noted in our two prior audit reports of the PA program⁹.

OMB Circular A-133, Subpart D, Section 400(d) requires the SEMA to ensure subrecipients obtain a Single Audit when federal grant expenditures exceed \$500,000 in a fiscal year. That audit report is required to be filed with the recipient agency and the federal Single Audit Clearinghouse within 9 months of the end of the subrecipient's fiscal year. The SEMA is also required to issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action. Findings identified in subrecipient Single Audit

⁹ *State of Missouri Single Audit*, finding numbers 2013-006 and 2011-12.

reports could provide the SEMA valuable information about the performance of subrecipients.

- B. For some HMG and PA program projects, the SEMA did not adequately monitor or enforce existing policies to ensure subrecipients complied with procurement requirements.

SEMA guidance instructs HMG and PA subrecipients to submit copies of certain procurement documents prior to reimbursement requests for projects that require competitive procurement. The HMG program project administration guidebook states subrecipients must provide a procurement worksheet, bid tabulation logs, and explanations when the lowest bidder was not selected. Similarly, a SEMA official indicated PA subrecipients are verbally instructed to submit bid tabulations prior to requesting reimbursement for costs. Additionally, the SEMA requires subrecipients to make all procurement documentation available during on-site closeout reviews.

We identified deviations from subrecipient procurement policies or guidelines for 6 of 27 (22 percent) HMG and PA projects reviewed.

- For 4 of 14 HMG projects tested, the SEMA did not obtain or review procurement worksheets or bid tabulation logs for any construction expenditures reimbursed during state fiscal year 2015. The SEMA reimbursed one subrecipient about \$3 million during the year for construction payments to multiple vendors for all four projects. A SEMA official indicated SEMA personnel discussed the subrecipient's procurement policies during on-site reviews and determined bids were generally received for the projects, but they did not review any procurement documentation for compliance with related requirements due to the extensive nature of the documentation.
- For another HMG project tested, the subrecipient submitted a procurement worksheet indicating three concrete bids were received and the low bidder was not selected. The SEMA reimbursed the costs but required no explanation for why the lowest bidder was not selected. The SEMA reimbursed the subrecipient about \$522,000 in state fiscal year 2015 for concrete payments to the vendor.
- For 1 of 13 PA projects tested, the SEMA did not obtain or review bid tabulations or other procurement documentation for any expenditures reimbursed to the subrecipient during state fiscal year 2015. Reimbursements totaled about \$34,000 during the year for road repair services and materials procured by the subrecipient from three vendors. A SEMA official indicated they determined the costs billed were reasonable based on similar services reimbursed on other projects.

The SEMA has not established formal procedures regarding the procurement documentation to be reviewed during on-site reviews, and SEMA personnel do not record the documentation reviewed during the on-site reviews. SEMA officials indicated the on-site reviews are focused primarily on ensuring the work was completed as required, and subrecipient procurement documentation would generally only be reviewed if not previously received. The SEMA had completed on-site closeout reviews for each of the above six projects; however, the on-site review documents did not indicate whether the subrecipient documents were reviewed.

Federal regulation 44 CFR Section 13.36(b)(1) requires that the SEMA and its subrecipients use procurement procedures which reflect applicable state laws and regulations. Missouri statutes Section 34.040, RSMo, requires purchases exceeding \$3,000 be competitively procured, purchases exceeding \$25,000 be awarded through an invitation for bid process, and contracts be awarded to the lowest and best bid. OMB Circular A-133, Subpart D, Section 400(d)(3) requires the SEMA to monitor subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts and grant agreements. To ensure subrecipients comply with procurement requirements, the SEMA should review, strengthen, and enforce subrecipient monitoring procedures over procurement activities. Such procedures should require clear documentation of items reviewed by SEMA personnel.

- C. The SEMA does not have effective procedures to ensure PA subrecipients submit quarterly progress reports, extension requests, and/or reimbursement requests within the required timeframes. As of December 2015, the SEMA still had not received reimbursement requests and progress reports from one subrecipient for projects totaling over \$8 million, which were completed 2 to 4 years ago.

The PA administrative plan, approved by the Federal Emergency Management Agency (FEMA), states the SEMA will require subrecipients to provide (1) quarterly progress reports containing the anticipated completion date, percentage of work completed, percentage of funds expended, and the current status of the project; (2) reimbursement requests including copies of cost documents within 30 days following the completion of the project; and (3) extension requests prior to the completion deadline explaining the reason for the delay. The SEMA periodically communicates these requirements to the subrecipients. The FEMA establishes the period of performance for each grant and the period of performance for most disaster grants is 48 months. Additionally, obligations incurred must be liquidated not later than 90 days after the end of the period of performance.

For 13 projects tested, 10 (77 percent) projects of 9 subrecipients did not meet requirements established in the PA administrative plan for timely remitting these reports and/or requests to the SEMA.

- For three projects, each of the three subrecipients did not submit one of the required quarterly progress reports during state fiscal year 2015.
- For one project, the subrecipient did not request a project extension for a project not completed within the required timeframe. Based on vendor invoices, the subrecipient incurred costs totaling about \$305,000 in the 4 months following the project's deadline for completion. These costs were reimbursed by the SEMA even though the subrecipient had not requested an extension as required.
- For seven projects (including the project noted in the second bullet point), the six subrecipients remitted a reimbursement request more than 30 days past the projects' completion deadline. The reimbursement requests ranged from approximately 2 to 19 months past the projects' completion deadlines.

Similar problems were noted in a recent audit of a subrecipient awarded significant PA funding. In August 2015, the Office of the State Auditor issued Report No. 2015-060, *City of Joplin*. Auditors determined the city had not filed reimbursement claims for costs totaling at least \$8.2 million for projects completed in 2011, 2012, and 2013 due to insufficient staffing in the city's Finance Department. A SEMA official indicated the SEMA has corresponded with the city about its projects, but progress reports, extension requests, and reimbursement requests had still not been received on some of the city's projects as of December 2015. The official stated the SEMA has communicated the matter to the FEMA. The extended period of performance for the grant from which these projects are funded is May 2016.

SEMA officials indicated quarterly letters are sent to all subrecipients with open projects requesting progress reports and the SEMA makes other communications with the subrecipients throughout each project to attempt to obtain timely documentation from the subrecipients. However, these efforts have been insufficient to ensure timely documentation is received.

FEMA Standard Operating Procedure (SOP) 9570.14, Section 5.2 requires the SEMA to monitor the completion of projects to ensure subrecipients complete work within regulatory timeframes and receive, evaluate, and process requests for time extensions from subrecipients in a timely manner. Additionally, OMB Circular A-133, Subpart D, Section 400(d)(3) requires the SEMA to monitor subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts and grant agreements. Timely progress reports, extension requests, and reimbursement requests from subrecipients are necessary for the SEMA to properly monitor and ensure the projects are completed within the period of performance. The SEMA should adopt more rigorous monitoring and/or enforcement procedures to ensure these documents are received and reviewed on a timely basis and the requirements

of the administrative plan and SOP are met. The SEMA should consider withholding reimbursements until delinquent progress reports or extension requests are received.

WE RECOMMEND the DPS through the SEMA:

- A. And the OD, establish procedures to obtain and track Single Audit reports expected and received from applicable subrecipients. In addition, the SEMA should document its review and follow-up of all subrecipient Single Audit reports received.
- B. Review, strengthen, and enforce subrecipient monitoring procedures to ensure PA and HMG subrecipients have complied with procurement requirements. Additionally, on-site review reports should note any procurement documents reviewed.
- C. Review, strengthen, and enforce controls to ensure subrecipients timely remit progress reports and reimbursement requests. Also, ensure subrecipients complete projects by the completion date or remit extension requests as required.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

2015-018. Emergency Management Performance Grants - Period of Performance
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Federal Agency:	Department of Homeland Security
Federal Program:	97.042 Emergency Management Performance Grants 2013 - EMW-2013-EP-00028 2014 - EMW-2014-EP-00005S01 2015 - EMW-2015-EP-00043
State Agency:	Department of Public Safety (DPS) - State Emergency Management Agency (SEMA) and Department of Public Safety - Office of Director (OD)
Questioned Costs:	\$38,383

The SEMA did not have adequate procedures to ensure expenditures claimed were incurred during the period of performance for the Emergency Management Performance Grants (EMPG) program. The EMPG program provides funding to the OD and the SEMA annually for planning, training, and exercises for emergency preparedness. EMPG program funding is passed through from the OD to the SEMA. During the year ended June 30, 2015, the SEMA expended federal funding of approximately \$6.4 million for the EMPG program.

Our testing of 26 expenditures claimed to EMPG program awards in state fiscal year 2015 identified 2 (8 percent) expenditures totaling \$38,383 that were incurred prior to the period of performance for the award in which they were claimed. Both expenditures were charged to the federal fiscal year 2014 EMPG award, for which the period of performance was October 1, 2013 through September 30, 2015. The state's Office of Administration - Information Technology Services Division (OA-ITSD) invoiced the SEMA in March 2015 for services provided from July through September 2013. The SEMA paid the invoice totaling \$36,803 in April 2015. The SEMA worked with the OA-ITSD to establish more timely billing processes and in May 2015, the OA-ITSD began billing the SEMA on a monthly basis, which reduces the risk of future occurrences of expenditures outside the period of performance for this vendor. Additionally, the SEMA purchased \$1,580 in printing supplies in February 2013 and paid the vendor in August 2013. The SEMA originally charged the costs to the 2013 EMPG award, but recoded the charge to the 2014 EMPG award in April 2015 because the costs were not outlined in the 2013 EMPG award budget. Few other expenditures affecting EMPG awards were recoded during the year ended June 30, 2015. We question the costs of these expenditures incurred prior to the period of performance for the federal fiscal year 2014 EMPG program award, or \$38,383 (100 percent federal share).

Each EMPG program award provides for a period of performance of 24 months. Federal regulation 44 CFR Section 13.23 mandates that a grantee may charge to the award only costs resulting from obligations of the funding period. Failure to ensure expenditures are obligated or incurred during the period of performance can result in federal reimbursements for unallowable costs.

WE RECOMMEND the DPS through the SEMA and the OD establish procedures to ensure expenditures claimed to the EMPG program comply with the period of performance requirements.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2015-019. Medicaid Home and Community Based Services Reassessments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program
	2014 - 1405MO5MAP and 1405MO5ADM
	2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs:	\$15,504

While significant improvement has been made in recent years, the DSDS still has a backlog of Home and Community Based Services (HCBS) annual reassessments due.

Our five prior audits¹⁰ reported the DSDS did not ensure annual reassessments were performed as required to determine continued need of services of HCBS recipients. The DSDS implemented various changes during recent years and has significantly reduced backlogs of annual reassessments due. However, for the remaining 2,677 HCBS recipients for which the DSDS has not yet performed annual reassessments as of December 2015, the DSDS has not ensured the recipients have a need for and are receiving the appropriate level of care.

The DSDS is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for seniors and adults with disabilities, including the State Plan Personal Care (SPPC) and Aged and Disabled Waiver (ADW). The Medicaid is administered by the Department of Social Services (DSS) - MO HealthNet Division, while the DSDS is charged with assessing and reassessing the need for, and authorizing HCBS services for applicable Medicaid recipients. These services, which are authorized in a plan of care, provide assistance to help qualifying recipients remain in or return to their home or community, and include services such as bathing, grooming, and dressing; general toileting activities; cleaning, dusting, and laundry; meal preparation and/or assistance with eating and washing dishes; and transportation for shopping/errands and medical appointments. Other services include advanced personal care, authorized nurse visits, and respite care. During the year ended June 30, 2015, approximately 62,300 recipients were provided SPPC services and 15,300 were provided ADW services, with a total of 63,200 recipients receiving one or both services totaling approximately \$686 million.

During recent years, the DSDS has received additional funding and taken various measures to reduce backlogs, including the hiring (and subsequent firing) of an external assessment administrator, hiring additional full-time and temporary staff, paying HCBS providers to perform some annual reassessments, developing the HCBS Web Tool, and giving providers access to the Web Tool. All new recipients are entered in the Web Tool. Recipients existing in the legacy computer system are moved to the Web Tool when their reassessments are performed. Because the Web Tool automatically suspends services for any recipient not receiving a required annual reassessment, the DSDS prioritizes and ensures these cases receive an annual reassessment. DSDS staff perform reassessments for the backlog of cases in the legacy system as time permits.

As of December 24, 2015, DSDS backlog reports show reassessments were due for 2,677 Medicaid HCBS recipients. This represents a 73 percent reduction from the backlog as of January 5, 2015 noted in our prior audit. The backlog consists of SPPC recipients still in the old legacy system (the backlog of ADW recipients has been resolved). The most recent reassessment for these recipients was completed 1 to 10 years ago, with over half the cases not having a reassessment since 2010 or before. As of December 2015, DSDS

¹⁰ *State of Missouri Single Audit*, finding numbers 2014-002, 2013-003, 2012-6, 2011-4A, and 2010-6.

officials indicated only 7 percent of HCBS cases remained in the legacy system, and they estimate the backlog will be resolved by June 2016.

We tested assessment documentation for 60 Medicaid recipients who received SPPC and/or ADW services during the year ended June 30, 2015. Payments totaling \$632,728 (\$558,340 SPPC and \$74,388 ADW) were made to service providers on behalf of these recipients during this period. We found the DSDS did not perform an annual reassessment for 1 of the 55 (2 percent) recipients requiring a reassessment. As a result, the DSDS could not demonstrate this recipient needed the services for which the payments were made. Payments for services provided to this recipient without an annual reassessment during the year ended June 30, 2015 totaled \$20,400. For another recipient, the DSDS performed a reassessment in December 2014, determined the recipient no longer met requirements to receive services, and closed the recipient's authorization for services. The last documented reassessment for this recipient was performed in 2006. Payments for services provided to this recipient during the year ended June 30, 2015, prior to case closure, totaled \$3,416. Both recipients received SPPC services only. We question the federal share of \$15,504 (65.10 percent) for these two recipients.

The failure to perform annual reassessments as required can result in payments for services that are not necessary. Various regulations require that annual reassessments be performed for ADW and/or SPPC recipients to ensure the adequacy of the care plan and continued need for the level of care provided. These include federal regulation 42 CFR Section 441.302(c), Missouri statutes Sections 208.906 and 208.930, RSMo, state regulation 19 CSR 15-8.200, the Cooperative Agreement between the DSS and the DHSS, and the DSDS Home and Community Based Services Manual, Section 4.25. Furthermore, OMB Circular A-87, Attachment A, Section C.1.c provides that costs must be authorized or not prohibited under state or local laws or regulations to be allowable.

WE RECOMMEND the DHSS through the DSDS ensure annual reassessments are performed as required.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

Additional State Auditor's Reports:

The Missouri State Auditor's Office regularly issues audit reports on various programs, agencies, divisions, and departments of the state of Missouri. Audit reports may include issues relating to the administration of federal programs. Reports issued from March 2015 to March 2016 were reviewed and the following reports relate to federal programs and were analyzed to determine if any issues noted in these reports were required to be reported in this Schedule of Findings and Questioned Costs in accordance with Section .510(a) of OMB Circular A-133.

<u>Report Number</u>	<u>Report Name</u>
2015-023	Office of Governor
2015-049	Office of Administration Division of Purchasing and Materials Management - State Agency for Surplus Property
2015-060	City of Joplin
2015-129	Economic Development - Public Service Commission

All reports are available on the Missouri State Auditor's Office website: <http://auditor.mo.gov>.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

STATE OF MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

The U.S. Office of Management and Budget (OMB) Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings included in Section III - Federal Award Findings and Questioned Costs of the prior audit's Schedule of Findings and Questioned Costs. The schedule is also to report the status of findings included in the prior audit's Summary Schedule of Prior Audit Findings, except those that were corrected, no longer valid, or not warranting further action. This Summary Schedule of Prior Audit Findings for the year ended June 30, 2015 includes all federal award findings from the audit for the year ended June 30, 2014 and certain findings from the audits for the years ended June 30, 2013, 2012, 2011, and 2010. This schedule was prepared by the management of the applicable state agencies.

OMB Circular A-133 requires the auditor to follow-up on these prior audit findings; perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and report, as a current year finding, when the auditor concludes the schedule materially misrepresents the status of any prior audit findings.

2010-25. Provider Eligibility and Improper Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
 93.778 ARRA - Medical Assistance Program
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: \$122

The MHD had not established controls to detect expired Medicaid provider licenses or to prevent, detect, and correct payments to providers who were deceased prior to the date the reimbursement claim indicated medical services were provided. In addition, the MHD had not established controls to ensure providers continually met federal requirements for disclosure of convictions of criminal offenses against Medicare, Medicaid, or the Title XX service program.

Recommendation:

The MHD develop procedures to ensure providers meet required criteria to be eligible Medicaid providers, including periodically verifying provider licenses, obtaining updated provider disclosures, and ensuring timely detection of deceased providers, to aid in the prevention and correction of improper claims paid. In addition, the MHD should resolve the questioned costs with the grantor agency.

Status of Finding:

In May 2011, Missouri Medicaid Audit and Compliance (MMAC) began receiving and taking action based upon a License Not Renewed Report. MMAC personnel receive the report quarterly, and the report includes a list of all enrolled providers who hold licenses through the Department of Insurance, Financial Institutions, and Professional Registration whose licenses were not renewed. These providers are consequently terminated from participation in the Medicaid program. MMAC personnel also review the Medicare Exclusions Database monthly to monitor provider sanctions and exclusions and take action as necessary based upon this review. Additionally, MMAC personnel now receive notifications from the various boards which comprise professional registration when an enrolled provider's license is suspended, and MMAC suspends the provider from participation in the Medicaid program.

MMAC relies on updates from billing agents (contractors that submit claims for providers), provider communications, or any other department-wide notices that MMAC may be able to obtain that can be verified with vital records. Previously, providers enrolled with Missouri Medicaid were enrolled permanently. The MMAC promulgated a rule to enforce the new federal requirement for revalidation, which became effective July 30, 2014. The revalidation schedule is set for reoccurring 5-year periods, and MMAC began revalidating providers in July 2015.

In 2015, MMAC began work with Wipro and Lexis Nexis through a contract amendment to the state's MMIS contract with Wipro. Wipro will subcontract with Lexis Nexis to conduct provider screening and monitoring services for MMAC. This work will

commence during the first quarter of calendar year 2016. Lexis Nexis will provide initial screening and monthly monitoring that includes and surpasses all the federally and state required database checks.

The MMAC has never required social security numbers as part of the enrollment process for some enrolling providers, such as corporations. As part of the Lexis Nexis screening and monitoring subcontract, ownership and disclosure information will be automatically screened, including individual's social security numbers.

The DSS corrective action plan includes addressing the provider's date of death issue through the Lexis Nexis subcontract, which will include provider checks through the Social Security Master Death File.

MMAC is pursuing separate Program Integrity Solution and a Provider Enrollment Solution request for proposals (RFPs). The Program Integrity Solution will capture social security numbers on individual providers and social security numbers on ownership disclosure information for an automatic validation. It also will enhance the MMAC's ability to screen and monitor providers based upon many information sources and utilize identifiers such as social security numbers. The automated system will allow the MMAC to more efficiently terminate or deny enrollment of ineligible providers. The MMAC will also benefit from the new requirement of pre-enrollment site visits for moderate and high risk providers. The Provider Enrollment Solution RFP will address screening and monitoring as well as a user and provider portal. However, the subcontract with Lexis Nexis addresses these issues immediately and MMAC may continue these services as long as necessary until other contracts are put in place.

Status of Questioned Costs:

An adjustment was made on the December 31, 2011 quarterly report. The DSS is waiting for clearance from the grantor agency.

Contact Person: Jessica Dresner
Phone Number: (573) 751-6967

2013-005B. Reporting and Period of Availability

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially
 Declared Disasters)
State Agency: Department of Public Safety - State Emergency Management Agency
 (SEMA)
Questioned Costs: \$194,867

The SEMA did not ensure certain financial reports for various Public Assistance (PA) awards were submitted timely to the awarding agency. In addition, the SEMA did not ensure expenditures were liquidated timely.

Recommendation:

The SEMA resolve the questioned costs with the grantor agency, and ensure federal PA awards are liquidated and reported in a timely manner.

Status of Finding:

SEMA has implemented procedures to prepare written requests to extend the grant closeout date when necessary.

Status of Questioned Costs:

Department of Homeland Security - Federal Emergency Management Agency Region VII considers the above finding closed and did not sustain the questioned costs, based upon the information and documentation provided in response to the timeliness of reports and expenditures.

Contact Person: Shelly Honse

Phone Number: 573-526-7324

2014-002. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services

Federal Program: 93.778 Medical Assistance Program

State Agency: Department of Health and Senior Services (DHSS) - Division of
Senior and Disability Services (DSDS)

Questioned Costs: \$81,981 (2014)

Similar Findings: 2013-003, 2012-6, 2011-4A, and 2010-6

The DSDS did not ensure annual reassessments were performed, as required, to determine continued need of services of Home and Community Based Services recipients.

Recommendation:

The DHSS, through the DSDS, resolve the questioned costs with the grantor agency and ensure annual reassessments are performed as required.

Status of Findings:

The state fiscal year 2016 state budget includes funding for Home and Community Based Services (HCBS) providers to conduct reassessments. The ten Area Agencies on Aging also conduct reassessments. Reassessments by providers totaled 20,851 in state fiscal year 2015, an increase of 8,852 (74 percent) over the previous fiscal year. Level of care reassessments for current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will review and approve all reassessments submitted by HCBS providers and the Area Agencies on Aging.

Status of 2014 Questioned Costs:

DHSS staff has met with staff from the federal Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing.

Contact Person: Celesta Hartgraves

Phone Number: (573) 526-3626

2014-003. Payroll Allocations

Federal Agency: Department of Agriculture
Department of Health and Human Services

Federal Program: 10.561 State Administrative Matching Grants for the
Supplemental Nutrition Assistance Program
93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child
Care and Development Fund
93.778 Medical Assistance Program

State Agency: Department of Social Services (DSS) - Division of Finance and
Administrative Services (DFAS)

Questioned Costs: \$25,841

The DFAS controls and procedures over the allocation of some payroll costs to federal programs were inadequate, and as a result, some employees continued to be assigned to incorrect cost pools based on division assignment.

Recommendation:

The DSS, through the DFAS, resolve the questioned costs with the grantor agency and continue to improve controls and procedures to ensure payroll costs are allowable and allocable. The DSS should also review other payroll costs charged to the labor code error to determine whether remaining payroll costs are appropriately charged to the Income Maintenance cost pool and resolve any overpayments with the guarantor agency.

Status of Finding:

DSS implemented quarterly meetings with DFAS, Family Support Division, Human Resources, and Children's Division to ensure personnel are coded and claimed appropriately.

The DSS received a decision letter from the Department of Health and Human Services - Administration for Children and Families (ACF) dated December 23, 2015. The ACF concurred with the finding and recommendations. The DSS has submitted a revised Public Assistance Cost Allocation Plan and will work with the ACF to ensure the issues of this finding are fully resolved.

Status of Questioned Costs:

Adjustments were completed on the December 31, 2015 Child Care quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2014-004A&B. Payment Coding

Federal Agency: Department of Health and Human Services
Federal Program: 93.090 Guardianship Assistance
93.658 Foster Care - Title IV-E
93.659 Adoption Assistance
State Agency: Department of Social Services (DSS) - Children's Division (CD) and
Division of Finance and Administrative Services (DFAS)
Questioned Costs: \$1,520,122 (2014)
Similar Finding: 2013-011

The DSS controls and procedures over the establishment and monitoring of assigned accounting system coding for assistance and administration payments were inadequate.

Recommendation:

The DSS, through the CD and DFAS, resolve the questioned costs with the grantor agency, and continue to implement controls and procedures to ensure appropriate coding is established and expenditures are claimed to the appropriate federal program. Controls and procedures should include a periodic supervisory review of coding.

Status of Findings:

DSS has assigned staff to concentrate on IV-E claiming and correcting Family and Children's Electronic System (FACES) payment reports and system programming. DFAS staff has been meeting on a regular basis with program staff to review the payment coding to ensure the accuracy of coding. Corrections for identified issues have been made to coding reports. DFAS staff has worked to improve communication about coding sheet changes between DFAS Budget, Grants, and Accounts Payable staff.

The DSS is implementing a new cost allocation system that will reduce the need for manual coding and therefore reduce human error and allow staff to do more quality control and compliance.

Status of 2014 Questioned Costs:

Adjustments were completed on the June 30, 2015 quarterly reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2014-004C. Payment Coding

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
State Agency: Department of Social Services (DSS) - Children's Division (CD) and
 Division of Finance and Administrative Services (DFAS)
Questioned Costs: \$14,497

Procedures implemented by the DSS to identify nonrecurring adoption expenses in excess of federal limits did not fully address the issue due to a misunderstanding of Adoption Assistance payment coding. In addition, the DSS did not perform these additional procedures for the final quarter of state fiscal year 2014. As a result, additional nonrecurring expenses continued to be claimed in excess of federal limitations.

Recommendation:

The DSS, through the CD and DFAS, resolve the questioned costs with the grantor agency, and strengthen procedures to ensure payment of nonrecurring adoption expenditure payments are compliant with federal regulations.

Status of Finding:

The DSS has strengthened procedures to ensure payments for nonrecurring adoption expenditures are within the federal guidelines.

Status of Questioned Costs:

Adjustments were completed on the June 30, 2015 quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2014-005. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
 93.596 Child Care Mandatory and Matching Funds of the Child
 Care and Development Fund
State Agency: Department of Social Services (DSS) - Children's Division (CD)
 and Family Support Division (FSD)
Questioned Costs: \$59,601 (2014)
Similar Findings: 2013-009, 2012-11A&B, 2011-14A, and 2010-16A

The DSS controls over Child Care Development Fund eligibility and provider payments were not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers. Eligibility and payment documentation could not be located for many child care cases reviewed, and overpayments were made to some providers.

Recommendation:

The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency, and continue to review, strengthen and enforce policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Status of Findings:

The DSS continues to review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. The CD and the FSD hold quarterly quality improvement meetings.

Documentation of Child Care Records - The DSS has moved to a new document management system, FileNet. The new document management system allows staff greater speed, efficiency, and accuracy in storing and retrieving documents. FileNet provides security and storage features, and ready-to-use workflow and process management. This system allows all Income Maintenance offices to use document imaging to develop electronic records. The process management tool allows tasks to be assigned and case actions to be monitored by supervisors and management staff. Jackson County, Clay County, and Platte County have transitioned into an Electronic Case Management (ECM) system. These counties are now the primary processors of Child Care applications. The paper applications are loaded to the ECM and staff are working as interdependent teams in this task-based system. In addition, for the applications processed outside of the listed counties, the ECM is scheduled to be operational in all Missouri counties by fall 2016.

Early Childhood and Prevention Services - In August 2014, DSS restructured the CD Early Childhood and Prevention Section (ECPSS), Child Care Provider Relations Unit (CCPRU) and created the Division of Finance and Administrative Services, Child Care Payment Unit (CCPU) which streamlined functions based on division responsibilities. The CCPRU is now responsible for processing all child care provider registrations and registration renewals, provider contract information, and provider address changes, as well as any changes that affect the child care provider's status as a registered or contracted child care provider. The CCPU assists child care providers with all payment inquiries. Payment inquiries may include, but are not limited to, child care vendor invoices, payment resolution requests, and child care claims and/or overpayments. This change will afford the CD more time to concentrate on the substantial changes resulting from the Child Care Development Block Grant Reauthorization Act of 2014.

Child Care Electronic Provider System - The DSS has drafted a Request for Proposal (RFP) for a Business Intelligence Solutions that will provide the DSS with a comprehensive and time efficient system for the administration of the Child Care program. The RFP is being finalized by the Office of Administration. The RFP, which will be issued soon, will be seeking proposals for a system that will include:

1. An electronic time and attendance system for all providers statewide.
2. A child care review system for the purpose of executing and managing a compliance monitoring process for the Child Care program.

Child Care Review Team (CCRT) - In August 2013, the DSS hired four staff to conduct compliance reviews of child care providers. The CCRT uses a risk based monitoring approach to detect providers who are at high risk of non-compliance. This process has created opportunities for identification of deficiencies in child care providers' performance, and a process to hold them accountable for the requirements of their contract/registration agreement.

Case Review Tool - The DSS implemented a Child Care component to the FSD Case Review System (CRS) in March 2012. Output reports from the CRS are being used to identify programmatic strengths and challenges and areas for policy and training improvements.

The FSD has transitioned the specialization of Temporary Assistance and Child Care eligibility determinations to the Kansas City region where 95 staff are processing both programs' applications and recertifications. During this transition, there was a pause in case reviews. In November 2015, a team of supervisors and managers was reestablished to complete case readings. In addition, the FSD is maintaining a spreadsheet of various ongoing projects including Child Care case reviews, and tracking each month to ensure these continue. The results of these reviews will continue to be compiled and result in additional supervisor and staff training. In addition, the staff person making the errors is notified so they can correct this in the future. ECPSS staff continue to monitor the number of case readings that are being completed monthly. There will also be FSD regional and program manager oversight of the case review process to ensure that case reading standards are met.

In conjunction with the transition of the Child Care program to Kansas City region for specialization, ECPSS is revising the policy for reviewing Child Care cases in the CRS to allow continued monitoring of areas needing improvement. A Program Development Specialist in the CD continues to complete second level reviews on randomly selected cases reviewed by FSD supervisors and compiles a quarterly list of critical areas for the supervisors to focus on during the case review process. A statewide analysis is provided to FSD leadership on a quarterly basis. This analysis outlines areas for improvement.

Casework Reference Guide - The FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums. The FSD Training Unit updates the CRG with new and clarified policy.

Child Care Manual Revisions - ECPSS program and policy staff is continually reviewing the Child Care manual for clarification and revision.

Calendar Year	Policy Memorandum Updates By Section	Practice Points/Alerts
2011	40	5
2012	82	1
2013	10	4
2014	6	2
2015	9	5

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address Child Care issues. From this initiative there were four project teams designated to identify deficiencies and problematic areas within the Child Care program: Eligibility, Provider Issues and Policy/Payments, Program Integrity, and Information and Systems Technology. Each team made five or six recommendations related to the team's assigned area. The DSS has implemented the recommendations made by this committee that were selected for implementation.

Self-Employment Training - Effective August 1, 2011 the FSD Eligibility Specialists (ES) and ES supervisors are required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

FSD Workers Online Child Care Training - The FSD administers the Child Care assistance program for income maintenance households. As of September 1, 2011, FSD frontline workers and supervisors were able to access online Child Care training through the FSD Training Unit intranet page. New FSD employees are required to successfully complete the online training prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component. Effective April 1, 2013, ES and ES Supervisors are required to retake the online Child Care Assistance training every 2 years after initial completion.

In July and December 2015, the DSS received decision letters from the Department of Health and Human Services -Administration for Children and Families (ACF) regarding the five prior audit findings. The ACF concurred with the findings and recommendations.

Status of 2014 Questioned Costs:

The DSS recovered some of the questioned costs via processing claims against parents or providers. An adjustment was made on the December 31, 2015 quarterly report for a portion of the remaining questioned costs. The DSS is awaiting clearance from the grantor agency.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2014-006. Child Care Provider Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
 93.596 Child Care Mandatory and Matching Funds of the Child
 Care and Development Fund
State Agency: Department of Social Services (DSS) - Children's Division (CD)
 and Family Support Division Disability (FSD)
Questioned Costs: \$3,083 (2014)
Similar Finding: 2013-010

The DSS did not have adequate controls and procedures in place to ensure certain child care providers participating in the Child Care Development Fund subsidy program complied with statutory requirements for license-exempt status.

Recommendation:

The DSS, through the CD, resolve the questioned costs with the grantor agency and improve controls and procedures to ensure child care providers participating in the subsidy program are in compliance with state licensing requirements. These procedures should include maintaining adequate documentation to demonstrate verification of a child's relationship to the provider at the time of authorization.

Status of Findings:

As part of the FSD reorganization, the specialization of Child Care and Temporary Assistance for Needy Families eligibility determinations statewide have been consolidated to four offices in the Kansas City region to process the majority of the Child Care applications. This consolidation allows a smaller number of FSD staff to focus on and become experts in the application of complex policy, such as documenting family relations for Child Care authorization.

From February 2012 – March 2015, the CD distributed educational messages to child care providers on the rules regarding relationship and what they must do to be compliant with the state's "four or less" unrelated children requirements. The CD revised the Child Care subsidy policy in March 2015 to require attestations of relationships between a child and their provider. This attestation will show and demonstrate the relationship between a child and their provider.

In December 2015, the DSS received decision letters from the Department of Health and Human Services -Administration for Children and Families (ACF) regarding the two prior findings. The ACF concurred with the findings and recommendations.

Status of 2014 Questioned Costs:

The DSS recovered some of the questioned costs via processing claims against parents or providers. An adjustment for the remaining questioned costs was made on the December 31, 2015 quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2014-007. Foster Care Case Management Resource Development Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
State Agency: Department of Social Services (DSS) - Children's Division (CD)
 and Division of Finance and Administrative Services (DFAS)
Similar Findings: 2013-008B and 2010-17

The DSS had not utilized established review procedures and related results to ensure contractor resource development payments (training costs) to Foster Care case management contractors were properly allocated and claimed to the Foster Care program. As a result, the DSS claimed payments for some training costs to the Foster Care program at a higher federal reimbursement rate than allowed.

Recommendation:

The DSS, through the CD and DFAS, utilize results of cost reviews when claiming Foster Care case management payments to the federal program to ensure all expenditures are allocated in accordance with federal regulations.

Status of Finding:

In state fiscal year 2013, the DSS developed an expenditure validation plan which includes an analytical review of case management/administration to compare the amount paid to contractors (via the contracted case rate) to the actual costs incurred by the contractors and to the amount claimed to federal programs. The purpose of this analytical review is to determine the reasonableness of the case rate as compared to actual costs incurred by contractors and federal dollars claimed. This validation plan was submitted to the Department of Health and Human Services - Administration for Children and Families. The first quarter for which this analytical review of case management/administration was completed was the first quarter of federal fiscal year 2014. While the DSS has agreed to analytically review the actual costs incurred by the Foster Care Case Managers (FCCM) contractors, it should be noted that the FCCM contractor's actual costs are not subject to federal guidelines for allowability, or any other compliance requirement under the federal OMB Circulars; they are not subrecipients of this grant program/contract. The DSS makes every effort to ensure that federal claims are allowable and meet federal requirements/guidelines. However, in December 2015, the DSS agreed not to claim enhanced funds for training. DSS agrees that these costs should instead be claimed at the regular IV-E administrative rate of 50%.

DSS is appealing to the Departmental Appeals Board the ACF's determination that claims cannot be based on competitively bid contracted rates.

Contact Person: Sheila Tannehill
Phone Number: (573) 751-8962

2014-008. Adoption Assistance - Eligibility and Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: \$16,377

The DSS made payments on behalf of ineligible children, did not retain sufficient documentation to support some eligibility decisions made, and appeared to have backdated some subsidy agreements.

Recommendation:

The DSS through the CD resolve the questioned costs with the grantor agency and ensure all adoption subsidy agreements are signed and effective prior to the adoption, and subsidy agreements and adoption decrees are retained. In addition, the CD should refund the federal share of cumulative overpayments.

Status of Finding:

As noted in the SAO finding, in May 2008, a CD policy issuance prohibited backdating of subsidy agreements. There are no instances of backdating after May 2008, and auditors also found no instances of backdating after May 2008 for the state fiscal year 2014 audit. In addition, the Family and Child Electronic system integrates information from the contract system and the children's eligibility system including edits to prevent use of federal funds if the subsidy agreement is signed after the adoption finalization date.

Status of Questioned Costs:

An adjustment was made on the June 30, 2015 quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Amy Martin
Phone Number: (573) 526-8040

2014-009A. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: \$26,767 (2014)
Similar Findings: 2013-015A, 2012-15A, and 2011-18A

The FSD paid Temporary Assistance for Needy Families (TANF) benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received.

Recommendation:

The FSD resolve the questioned costs with the grantor agency, and maintain required eligibility documentation and case files and strengthen controls to ensure proper and timely action is taken regarding case closure, benefit adjustment, and the recoupment of overpayments.

Status of Findings:

An increasing number of FSD operations are using imaged documents, which are easier to move, more secure, and more likely to be found if misfiled. The TANF eligibility function was completely moved to electronic documentation in September 2015. Electronic documents are not yet integrated into the Family Assistance Information Management System and Missouri Eligibility Determination Enrollment System case records, but are planned to be within the next 2 years.

The FSD specialized Temporary Assistance (TA) eligibility determinations in the Kansas City region effective September 28, 2015. The FSD provided training for all staff in TA Processing Centers that included the new Quarterly Wage Match report and appropriate referrals to the Program Integrity Unit when an overpayment is believed to have occurred.

Status of 2014 Questioned Costs:

An adjustment was made on the September 30, 2015 quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Jeriane Jaegers

Phone Number: (573) 751-1078

2014-009B. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: \$4,566 (2014)
Similar Findings: 2013-015B and 2012-15B

The FSD did not impose sanctions on some recipients who failed to cooperate with Child Support Enforcement (CSE) procedures.

Recommendation:

The FSD resolve the questioned costs with the grantor agency, and establish effective controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with CSE program requirements.

Status of Findings:

The FSD has established an email account for the CSE Unit to submit all non-cooperation sanction requests and any requests to lift sanctions already imposed. By having all

requests sent to one location, Income Maintenance (IM) staff will monitor each request to ensure they are acted upon in a timely manner. Both IM and CSE were notified of this change in notification procedures via memorandum CS-13 dated June 18, 2015 and IM-54 dated June 22, 2015.

Status of 2014 Questioned Costs:

An adjustment was made on the September 30, 2015 quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Jeriane Jaegers
Phone Number: (573) 751-1078

2014-010A. TANF Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Similar Findings: 2013-016A, 2012-16A, and 2011-20A

The FSD did not have adequate controls in place to ensure compliance with the Temporary Assistance for Needy Families (TANF) Work Verification Plan in effect for state fiscal year 2014.

Recommendation:

The FSD develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

Status of Findings:

The FSD is reviewing the Missouri Work Assistance (MWA) contract and Work Verification Plan to ensure it meets federal work requirement standards without being so prescriptive. FSD continues to review individual participant case files for each contractor, and has implemented a 3-year cycle for completing in-depth monitoring of each contractor. FSD staff has trained MWA service providers to ensure understanding of the Work Verification Plan.

Starting August 2015, the MWA Program Manager conducts weekly calls with all contractors for reminders, changes, and best practices.

As of September 1, 2015, MWA Program Development Specialist staff review a daily report to ensure sanctions are properly imposed.

Starting January 2016, the MWA Program Manager will share audit results with impacted contractors and give an overall statement to all contractors.

Contact Person: Jeriane Jaegers
Phone Number: (573) 751-1078

2014-010B. TANF Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: \$170 (2014)
Similar Findings: 2013-016B, 2012-16B, and 2011-20B

The FSD did not have adequate controls in place to ensure recipients were sanctioned when they were not in compliance with federal and state requirements of the Temporary Assistance for Needy Families (TANF) program.

Recommendation:

The FSD enforce established controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required. In addition, the FSD should resolve the questioned costs with the grantor agency.

Status of Findings:

The FSD believes adequate monitoring controls are already in place. The FSD reviews individual participant case files for each contractor monthly. In addition, the FSD reviews monthly reports for participants with no participation hours, no sanction imposed, and no case notes in the last 30 days. Controls implemented as a result of previous audit findings have been successful in reducing the number of participants that were not sanctioned and not participating in work activities. The FSD believes the MWA service providers are correctly implementing sanctions and will monitor to ensure compliance continues.

Status of 2014 Questioned Costs:

An adjustment was made on the September 30, 2015 quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Jeriane Jaegers
Phone Number: (573) 751-1078

2014-011. Medicaid Cost Recovery

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD failed to timely take appropriate actions to recover funds from estates of thousands of deceased participants of the Medical Assistance Program.

Recommendation:

The MHD ensure appropriate actions are taken timely to maximize funds recovered for Medicaid expenditures from estates of deceased participants.

Status of Finding:

The MHD disagrees that the amount would have been over \$27 million for several reasons. First, the 30,804 cases that were over a year old had some cases that were duplicates or set up in error because the person had not died or the lead was received over a year after the participant died. In addition, if the valid cases had been worked, many of them would not have resulted in recovery. According to 42 U.S.C. Section 1396p, there are several exemptions to collecting on an estate. The exemptions are as follows:

1. If there was a surviving spouse
2. If the participant was under age 55
3. If there was a disabled child in the home
4. If there was a minor child in the home

Although some of the 9,321 cases that were closed during the fiscal year were closed because of these exceptions, the MHD believes that it is not a true representation of the open cases. Approximately 18 percent of the open cases were for participants that were under the age 55; therefore, we would have not been able to recover on those cases.

The Attorney General's Office (AGO) files and litigates these cases. Historically the AGO and the MHD have not found it cost effective to attempt to recover claim amounts when the participant has less than \$20,000 in assets. Many of these cases will not meet this criterion. Furthermore, according to RSMo 473.397(7), secured creditors, costs, expenses of administration, funeral expenses, federal debts, and certain other debts are due before any debts due the state of Missouri. By definition, the vast majority of MHD participants are low income and thus, have few to no collectible assets.

The MHD has taken the following actions in light of the SAO finding:

- The MHD has implemented a process to ensure all cases are pulled from the Third Party Liability case management system.
- The MHD is in process of updating policies and procedures to incorporate the new process and staff quotas including:
 - Utilizing management dashboards to provide more timely estate recovery information.
 - Updating training of staff to gain a better understanding of the system.
 - Implementing a process to systematically close cases that do not qualify for potential recovery.
 - Increased communication with the AGO to improve understanding of the process.
 - The MHD receives a report from the Family Assistance Management Information System that identifies asset data, greatly reducing the number of cases staff has to investigate.
 - The MHD has signed a work plan with the third party liability contractor, HMS, that will be implemented on or about March 11, 2016. The MHD will refer cases to the HMS that have no asset information, the claim amount is less than \$20,000 but more than \$1,000, or the case is over 7 months old.

Contact Person: Andrew Bond
Phone Number: (573) 751-1092

2014-012. Pharmacy Dispensing Fees

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
 93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: \$4,645,763 (2014)
Similar Findings: 2013-018, 2012-20, and 2011-24

The MHD had periodically changed the rate paid to pharmacies for dispensing prescription drugs under the Medical Assistance Program (Title XIX) and the Children's Health Insurance Program (CHIP); however, until March 2014, the state regulation authorizing these dispensing fees had not been updated since 1988, and the current rate paid exceeded a 1991 settlement agreement that increased the pharmacy dispensing fee.

Recommendation:

The MHD resolve the questioned costs with the grantor agency and ensure any future increases in payment rates are included in state regulations.

Status of Finding:

The MHD disagreed with the finding. The MHD makes payments in accordance with the Department of Health and Human Services, Center for Medicare and Medicaid Services (CMS) approved state plan. Furthermore, pharmacy dispensing fees paid under Title XIX and CHIP are communicated in documents during the budget process and authorized by the General Assembly through the appropriations process.

DSS promulgated state regulation 13 CSR 70-20.060 effective March 30, 2014 for the regulatory changes necessary to reflect the current pharmacy dispensing fee.

Status of Questioned Costs:

On September 16, 2014, the CMS sent the DSS a demand letter regarding findings 2011-24, 2012-20, and 2013-018, requesting the State of Missouri return the questioned costs. The DSS responded to the demand letter on October 1, 2014. This finding is the subject of discussions with the grantor agency, but no resolution has yet been finalized.

Contact Person: Rhonda Driver
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2014-013A. Participant Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
 and MO HealthNet Division (MHD)

The DSS did not ensure monthly supervisory reviews of eligibility determinations for MO HealthNet for the Aged, Blind, and Disabled (MHABD) assistance programs were completed as required.

Recommendation:

The DSS ensure supervisory reviews of cases are performed as required by internal policy.

Status of Finding:

Since the spring of 2015, all Medical Assistance Program (Medicaid) MHABD determinations statewide are being processed by specialized staff at a few select offices. This allows staff to be more knowledgeable of the MHABD rules and requirements and more effective and timely at determining eligibility. In November 2015, Eligibility Specialist (ES) Supervisors in these respective offices began to complete MHABD case reviews as required by policy to ensure timely and accurate determinations. Food Stamp, Temporary Assistance, and Modified Adjusted Gross Income (MAGI) Medicaid cases are now completed in a work flow approach, due to modernization and reorganization. This means that one ES does not complete an application from start to finish. Due to this, FSD has determined that the case review system needs to be revised to reflect the updated business processes of FSD. A work group has begun reviewing the case review system to determine changes needed and will begin developing updated rules for the case review system to meet the needs of the current and future agency structure. FSD ES Supervisors monitor Food Stamp, Temporary Assistance, and MAGI cases using the following methods:

- Oversight is made at application assignments by ES Supervisors to frontline staff by specialization.
- Daily monitoring is conducted and feedback is given to frontline staff by ES Supervisors.
- ES Supervisors are on the floor providing oversight of all FSD applications by program.
- Caseloads are closely monitored to ensure timeliness and accuracy of programs as we make changes in reorganization.

The FSD will resume use of the case review system as a tool to monitor accurate and efficient eligibility determinations when the case review system is updated to reflect FSD business practices.

Contact Person: Kimberly O'Hara
Phone Number: (573) 751-8980

2014-013B. Participant Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
 93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
 and MO HealthNet Division (MHD)

The DSS did not have adequate controls in place to ensure eligibility was determined timely for all new participants of the Medical Assistance Program (Medicaid) and Children's Health Insurance Program (CHIP).

Recommendation:

The DSS utilize available reports to ensure applications for services are processed within required timeframes.

Status of Finding:

The FSD has implemented a Medical Review Team Processing Center in Greene County, consisting of office support staff, eligibility specialists, and eligibility specialist supervisors. The Medical Review Team Processing Center will be responsible for maintaining all case files for individuals applying and approved for MO Healthnet for the Aged, Blind, and Disabled (MHABD) on the basis of disability. Centralizing this process to one office will help ensure that eligibility determinations for these applications will be completed timely, in compliance with 42 CFR 435.912.

The FSD has implemented the process of assigning MHABD applications to individual eligibility specialists in specialized processing centers who are responsible for all actions until the eligibility determination is completed, resulting in approval or rejection.

The FSD issued Memorandum #062 (Application Processing Timeframes and Available Reports in Managed Reporting) on May 31, 2015, clarifying the application deadlines and requirements to utilize the monthly reports available to staff to help ensure applications are completed within required timeframes.

The FSD also developed dashboards to better monitor timeliness of Medicaid and CHIP applications. Beginning November 2015, supervisors are completing reviews as required by policy to ensure timely and accurate determinations.

Contact Person: Heather Atkins
Phone Number: (573) 751-4269

2014-014. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: \$2,403 (2014)
Similar Finding: 2013-021B

The MHD did not have effective controls in place for the review of some reports necessary to ensure compliance with enrollment requirements of the Medicare Buy-In program.

Recommendation:

The MHD resolve questioned costs with the grantor agency and establish controls to ensure the complete and timely review of all reports related to the Medicare Buy-In program. In addition, the MHD should establish controls to ensure timely performance of required Medicare Buy-In enrollment actions.

Status of Findings:

By July 2014, MHD had established and implemented controls to ensure the complete and timely review of all reports related to the Medicare Buy-In Program. The "Staff Quarterly Review" control uses random sampling to identify cases from reports that are worked by individual staff. The supervisor reviews the random sample for timeliness and accuracy of the work performed. If errors are identified in the review, the supervisor works with the employee for possible education and/or corrective action.

During the state fiscal year 2015 audit period, five of the eight Medicare staff were either new or exited the unit. In May 2015, the Medicare Unit completed a reevaluation of reports for effectiveness and accuracy. Based on those findings, the unit has worked with Information Technology Services Division for potential system changes and has made it a priority to review and make improvements where possible. The unit also continues to do random samples of the reports being worked daily and monthly.

Status of 2014 Questioned Costs:

An adjustment was made on the September 30, 2015, quarterly report. The DSS is awaiting clearance from the grantor agency.

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Nicole Galloway, CPA
Missouri State Auditor

PUBLIC SAFETY

Missouri Veterans Commission



March 2016
Report No. 2016-017

<http://auditor.mo.gov>



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Missouri Veterans Commission

VA Claim Filing Assistance	In November 2014, the State Auditor's Office issued a letter after reviewing complaints received by elected federal officials relating to the handling of pension and disability claims by MVC's Veterans Service Officers (VSOs). Auditors found that case decisions about whether to file claims with the U.S. Department of Veterans Affairs (VA) were adequately supported, but MVC policy did not require VSOs to provide written notification of decisions to veterans and/or their guardians. Additionally, the MVC had not maintained a case file for one claim. Auditors reviewed those issues in the current audit and found the MVC had implemented several changes, but more could be done to ensure veterans are aware of the status of their claims. MVC policy requires that a VSO prepare a communication form for a veteran to document outstanding information needed before the MVC can determine whether to file a VA claim; however, the policy does not require that an updated form be provided to the veteran when additional documentation is received. Additionally, the policy does not require the VSO to formally notify the veteran and/or guardian when a determination is made that a claim cannot be filed. Of the 22 cases auditors reviewed, one did not have a communication form as required and two had communication forms not signed by the veteran and/or guardian.
Disbursements	The MVC did not always adequately minimize lodging costs for employee travel, as employees lack sufficient documentation for hotel price comparisons. The commission also did not solicit bids for vendor contracts to purchase gasoline for fuel tanks at its five veterans cemeteries. State law requires obtaining bids for purchases over \$3,000. The MVC spent approximately \$31,000 in fiscal year 2015 fueling these tanks.
Restricted Funds	MVC's Veterans Home Fund is required by state law to be "maintained solely for the use of the Missouri veterans' homes." The commission made payments from the fund for various expenses for central office personnel, but many of those employees provide services for multiple programs, including programs other than veterans homes. The MVC does not document how costs are allocated to the Veterans Home Fund, and auditors identified a number of costs paid by the fund that did not solely benefit veterans homes, including travel costs of commissioners and executive staff and furniture for the central office.
Resident Fee Balance Adjustments	Missouri Veterans Commission (MVC) personnel make periodic adjustments to the fees owed by veterans living in veterans homes. Adjustments are made for various reasons, such as reductions of monthly amounts or the write-off of balances of deceased veterans. The commission lacks adequate oversight of those changes, as no independent review occurs to ensure only authorized changes are made.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Missouri Veterans Commission

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Lane Roberts, Director
Department of Public Safety
and
Larry D. Kay, Executive Director
Missouri Veterans Commission
Jefferson City, Missouri

We have audited certain operations of the Missouri Veterans Commission, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2015. The objectives of our audit were to:

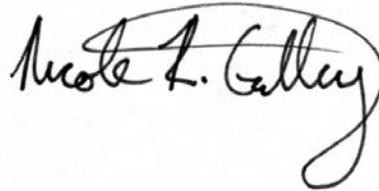
1. Evaluate the commission's internal controls over significant management and financial functions.
2. Evaluate the commission's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.
4. Determine the current status of issues related to Report No. 2014-115, *Missouri Veterans Commission - VA Claim Filing Assistance*, issued in November 2014.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Veterans Commission, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the commission's management and was not subjected to the procedures applied in our audit of the commission.

For the areas audited, we identified (1) a deficiency in internal controls, (2) noncompliance with legal provisions, (3) the need for improvement in management practices and procedures, and (4) additional changes could be implemented to address suggestions made in our November 2014 letter. The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Veterans Commission.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Lori Melton, M.Acct., CPA
In-Charge Auditor:	Wayne Kauffman, MBA
Audit Staff:	Nancy McDowell
	Anh Nguyen

Missouri Veterans Commission

Management Advisory Report

State Auditor's Findings

1. Previously Communicated Issues - VA Claim Filing Assistance

In November 2014, the Office of State Auditor issued Report No. 2014-115, *Missouri Veterans Commission - VA Claim Filing Assistance*. The letter communicated the results of our review of complaints received from elected federal officials related to the handling of pension and disability claims by Veterans Service Officers (VSO) employed by the MVC. The letter suggested the MVC provide written notifications to veterans or their guardians of the actions taken by the MVC to assist in filing claims and establish case files for all veterans requesting claim filing assistance.

During our current audit, we determined the MVC has implemented several changes to address the concerns identified in the previous letter, but more could be done to ensure veterans are aware of the status of their requests for claim filing assistance. The MVC policy now requires VSOs formally notify veterans and/or their guardians of any additional documentation required to file a claim with the federal Department of Veterans Affairs (VA). When a claim is filed, the claimant must be present to sign the VA claim application. However, if after receiving any additional required documentation the VSO determines a claim should not be filed, veterans and/or guardians may not receive formal communication of this decision. In addition, the MVC has now adopted a policy requiring case files be maintained for all veterans requesting assistance with filing a claim.

Background

Under Section 42.007.5(2), RSMo, the MVC is required to aid and assist all Missouri veterans, their dependents, and legal representatives in preparing, presenting, and prosecuting claims for compensation, education, pensions, insurance benefits, hospitalization, rehabilitation, and all other matters in which a veteran may have a claim against the United States or any state arising out of or connected with service in the military forces of the United States. The MVC is one of many entities that assist veterans in completing and filing benefit claim forms with the VA. MVC officials indicated their agency employs 43 VSOs to assist veterans with claims.

Our November 2014 letter concluded VSOs' decisions regarding the cases reviewed appeared adequately supported and the VSOs documented these decisions in 6 of the 7 case files reviewed. However, the letter also noted MVC policies did not require VSOs provide written notification of these decisions to veterans and/or guardians. In addition, for one complaint reviewed, the MVC did not maintain a case file. We suggested the MVC automatically generate written notifications to notify veterans or their guardians of the actions taken by the MVC on their behalf and require case files be maintained for all veterans requesting assistance with filing a claim.

Status

During this audit, we reviewed current policies, made inquiries of MVC staff, and reviewed documentation to determine the status of these identified concerns.



Missouri Veterans Commission
Management Advisory Report - State Auditor's Findings

Prior to September 2014, MVC policy required preparation of a communication form for the claimant documenting any information still needed from the claimant before making a determination of filing a VA claim. In September 2014, the policy was revised to also require the VSOs complete the communication form when all needed information was provided at the initial meeting and the claim was filed at that time. The updated policy also required the veteran and/or guardian to sign the form, indicating either acknowledgement of documentation still needed or that a claim would be filed based upon the initial meeting. The policy requires the claimant receive the form and the VSO retain a copy of it.

While the policy requires the VSO update the original communication form when documentation is subsequently received, it does not require the form be provided again to the veteran and/or guardian. If a determination is made to file a claim, claimants are required to sign the VA claim application and are formally notified by the VA that a claim has been submitted. However, the policy does not require the VSO to formally notify the veteran and/or guardian when a determination is made that a claim cannot be filed. While there is no legal requirement for the MVC to provide written notification, notifying the veteran and/or guardian in writing of the final action on all requests for claim assistance would help avoid misunderstandings and aid the MVC in the event the handling of a claim is questioned. Written communication would assist the veteran and/or guardian in understanding decisions MVC makes on their behalf.

To evaluate compliance with the new policy, we reviewed 22 cases of veterans and/or guardians who requested help filing a VA claim with a VSO in four local offices. We determined the VSOs did not always comply with the established policy. For the case files reviewed, 1 did not have a communication form as required and 2 had a communication form not signed by the veteran and/or guardian.

The MVC implemented an electronic claims system in May 2015. This system stores case files electronically and can be accessed by VSOs across the state. The MVC now has a policy to establish a case file for all veterans requesting assistance filing a VA claim. During our review of the 22 cases, we did not identify any situation where a case file had not been established.

Recommendation

We recommend the MVC provide written notification of decisions to veterans and/or their guardians when the MVC determines a claim cannot be filed as requested and ensure VSOs are following established policy for use of communication forms.

Auditee's Response

The Missouri Veterans Commission (MVC) acknowledges that our Veterans Service Officers (VSO) are doing a great job of assisting our Missouri veterans in submitting timely and accurate claims. MVC appreciates that



Missouri Veterans Commission
Management Advisory Report - State Auditor's Findings

the Missouri State Auditor (Auditor) determined that the MVC has implemented changes to address concerns identified in the November 2014 audit.

The Auditor reviewed 22 cases of veterans and/or guardians who requested assistance in filing a VA claim with a VSO in four separate offices. Of the case files reviewed, 3 issues involving the proper use of a communication form were identified. The MVC completed over 14,000 claims last year. The MVC holds itself to the highest of standards and takes compliance with our policies very seriously. The MVC has a quality assurance system in place that includes semi-annual audits by all veteran service supervisors and an established compliance component that requires a compliance officer to conduct ongoing additional audits.

The MVC agrees to provide written notification to veterans and/or their guardians when the MVC determines that a claim will not be filed after an "Intent to File" form has been submitted to the VA. We will update the "Communications Form" policy to reflect this change and we will ensure that the policy is followed.

2. Disbursements

MVC employees did always not take adequate measures to minimize lodging costs when traveling; and the MVC did not solicit bids for certain bulk gasoline purchases at cemeteries as required by state law, Office of Administration (OA) policy, and MVC policy.

2.1 Travel

Employees sometimes make lodging reservations without performing price comparisons or other procedures to ensure lodging costs are reasonable. During the year ended June 30, 2015, the MVC paid approximately \$152,000 for in-state and \$24,000 for out-of-state lodging costs.

The MVC exceeded Continental United States (CONUS) lodging rates (federal employee per diem maximums, established by the U.S. General Services Administration) for 3 of 12 overnight trips reviewed. The MVC paid lodging costs of \$139, \$129, and \$104 per night in Jefferson City when the CONUS rate was \$83. For each of these 3 trips, there was no documentation of price comparisons or other procedures performed when selecting the hotels where employees stayed. Instead, MVC personnel only made a notation on their expense report or lodging bill that the state government rate was not available at the hotels.

In cities where multiple hotels are located, lodging can often be procured at rates less than CONUS rates. The MVC's administrative policy regarding travel requires MVC employees to adhere to the state travel policy. The state travel policy (SP-6) requires that "in areas where comparable accommodations are available at significantly different prices you should seek prior approval before selecting higher priced lodging and document the



Missouri Veterans Commission Management Advisory Report - State Auditor's Findings

reason(s) for selecting the higher priced lodging. Key issues that determine hotel acceptability to the State include accountability, transparency, price, safety, convenience, ease of booking and payment, oversight and issue resolution." The policy also provides that CONUS rates should be used as a benchmark when evaluating lodging costs. Procedures requiring performing price comparisons and ensuring rates do not exceed CONUS rates are necessary to demonstrate compliance with state policies and ensure lodging costs are reasonable. Documentation should be maintained to support any lodging expenses that exceed CONUS rates.

2.2 Gasoline purchases

The MVC did not solicit bids for gasoline purchases to fill fuel tanks located at the 5 veterans cemeteries. During the year ended June 30, 2015, the MVC spent \$31,076 to fill these tanks. For a number of years, one fuel vendor has provided a tank to each of 4 cemeteries, and the MVC purchased gasoline from the vendor. The MVC owns the tank located at the other cemetery and purchases gasoline from another single vendor.

Section 34.040, RSMo, the OA's procurement policy, and MVC's purchasing policy require bids be obtained for purchases over \$3,000. The OA and MVC policies further provide repetitive purchases of the same or similar item totaling over \$3,000 during a 12-month period must be bid.

Recommendations

The MVC:

- 2.1 Require employees to perform price comparisons and ensure rates do not exceed CONUS rates when making lodging arrangements. If it is necessary to exceed CONUS rates, the MVC should ensure adequate documentation of the justification and reasoning is prepared and retained.
- 2.2 Competitively procure gasoline purchases for veterans cemeteries in accordance with state law, OA policy, and MVC policy.

Auditee's Response

- 2.1 *MVC follows the State Travel Policy, policy SP-6, authorized by the Office of Administration. The practice of MVC staff is to stay in hotels that honor the CONUS rates. The three hotel bills in question were reserved by the same person, who was counseled to use the CONUS rate prior to the conclusion of the audit. The three bills in question were not representative of the entire population of MVC hotel bills.*
- 2.2 *MVC has begun the process of removing fuel tanks that are not owned by the MVC, so fuel can be bid according to policies. The transition is on schedule to be completed before the end of the current fiscal year. While bidding the fuel is required, buying tanks at approximately \$2,750 for each cemetery is not expected to show a cost savings to the MVC. Fuel prices generally fluctuate very little from vendor to vendor. The gas savings will likely be offset*



Missouri Veterans Commission
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substantially by the outlay to purchase and maintain the tanks and peripheral equipment.

3. Restricted Funds

The MVC disbursed restricted monies from the Veterans Home Fund (VHF) for central office personnel and expenses, but did not prepare documentation supporting all these disbursements were allowable VHF disbursements under state law.

Section 42.121, RSMo, requires the VHF to be "maintained solely for the use of the Missouri veterans' homes." During the year ended June 30, 2015, the MVC expended approximately \$67 million from the VHF. Additional VHF financial activities are included at Appendixes A and B.

The MVC's 25 central office employees provide administrative services for the veterans homes as well as other programs of the MVC. The MVC pays the full costs of various central office personnel and expenses from the VHF, but these services are not used solely for the veterans homes. While it is reasonable to pay the portion of central office costs related to veterans homes from the VHF, the MVC has not prepared or documented a methodology for allocating these costs to the VHF. The MVC does not require central office employees to track their time spent on services for the veterans homes versus non-home programs, and expenses are not allocated between the VHF and other funds based on the benefit to veterans homes versus non-home programs. As a result, there is no assurance a proportionate share of the central office personnel and expenses related to the veterans homes is charged to the VHF.

We reviewed central office salaries and expenditures paid from the VHF during the year ended June 30, 2015. Examples of items fully paid from the VHF that did not solely benefit the veterans homes are noted below:

- Annual salaries totaling \$641,181 for 11 of the 25 central office employees, each of which provided services to both veterans homes and non-home programs.
- All travel costs, totaling \$9,378 for the year, incurred by the Commissioners, Executive Director, and Deputy Director.
- Annual professional organization memberships of two central office employees, totaling \$355.
- Furniture purchased for the central office, costing \$2,088.

MVC officials indicated they did not realize the practice of paying central office salaries and expenses from the VHF (a practice that has existed for numerous years), may not adhere to the VHF restrictions provided by Section 42.121, RSMo. They further indicated they believed the commission's annual appropriation bill authorized MVC administrative expenses to be paid from the fund. However, the statute requires money



Missouri Veterans Commission Management Advisory Report - State Auditor's Findings

from the VHF to be used on veterans homes and the administration of veterans homes.

To ensure compliance with state law and increase transparency on how funds are spent, the MVC should ensure only expenditures for the veterans homes or administration of the veterans homes are paid from the VHF. If expenditures are allocated between the VHF and various other funds, documentation should be prepared and retained to support the amounts allocated.

Recommendation

The MVC ensure all salaries and expenditures paid from the VHF are solely for the use of the veterans homes as required by state law. Documentation supporting the amounts allocated to the VHF should be prepared and retained. If the MVC does not have sufficient appropriation authority to pay non-home expenses from other funds, the MVC should work with the legislature to obtain authority.

Auditee's Response

The only mechanism the MVC has to pay for its operations is House Bill (HB) 8. HB 8 is the truly agreed to and finally passed annual appropriations bill approved by the Missouri House and Senate and signed by the Governor. The MVC believes it has acted in compliance, since its inception in 1989, with state law and will continue to pay its operations based on the funding authorized in the truly agreed to and finally passed appropriations bills. If any issue exists between the MVC spending authority under HB 8 and any provision of Chapter 42, RSMo, perhaps this can be addressed through the appropriations process.

4. Resident Fee Balance Adjustments

The Missouri Veterans Commission (MVC) lacks adequate controls over adjustments made to veterans' resident fee balances. Approved adjustments totaled approximately \$44,000 for the year ended June 30, 2015.

Veterans living in veterans homes pay monthly resident fees to the MVC. Pursuant to MVC policy, MVC central office personnel periodically approve adjustments to individual veterans' resident fee balances. Adjustments are made for various reasons, such as reductions of monthly resident fee amounts or the write off of balances of deceased veterans.

The approved adjustments are sent to the MVC home accountants for entry in the accounting system. However, there are no system controls or oversight to ensure only approved adjustments are entered in the system; and as a result, unauthorized adjustments could be made to veterans' resident fee balances. These weaknesses were not addressed when the MVC implemented a new accounting system during the year ended June 30, 2015. Requiring an independent review of resident fee balance adjustments would help ensure the appropriateness of all adjustments.



Missouri Veterans Commission
Management Advisory Report - State Auditor's Findings

Recommendation

The MVC should establish controls to ensure all adjustments to resident fee balances agree to adjustments approved by central office personnel.

Auditee's Response

The MVC implemented a new web-based system for accounting for resident funds in June 2015. This system was in the implementation phase during the period of the audit. The accounting staff in the veterans homes are required by MVC policy to segregate duties to create a system of checks and balances.

During discussions with the auditors during their fieldwork, the MVC worked with the programmer of the new system to create a report that included the fiscal year 2015 balances written off in the system. This report was compared to the balances approved by MVC for write off. All of the amounts in the new report matched the amounts approved to be written off. MVC will continue to use this new report to ensure all balances written off match the write offs approved by MVC central office.

Missouri Veterans Commission

Organization and Statistical Information

In 1931, the state legislature created the Office of State Service Officer. The State Omnibus Reorganization Act of 1974 combined the Missouri Veterans Home at St. James and the Office of State Service Officer, and established the Division of Veterans Affairs within the Department of Social Services. Under the provision of Reorganization Plan No. 3 of 1981, submitted by the Governor and approved by the 80th General Assembly, all powers and duties of the Division of Veterans Affairs were transferred from the Department of Social Services to the Department of Public Safety, Office of the Adjutant General. On August 28, 1989, the Division of Veterans Affairs was replaced by the establishment of the Missouri Veterans Commission (MVC).

The MVC is responsible for representing all Missouri veterans, ensuring their needs are met, and defending the entitlements due to them. This work is accomplished through various programs and services funded by the state and federal government, as well as private and corporate contributions. Ongoing programs administered by the MVC include the Veterans Home Program, the Veterans Cemeteries Program, and the Veterans Services Program. In addition, the MVC operates specialized initiatives focusing on the needs of certain veterans, including the State Veterans Ombudsman (current active service members, recently discharged service members, and families of both), Women Veterans, Minority Veterans, and Incarcerated Veterans.

The MVC operates 7 long-term skilled nursing care facilities (veterans homes) with 1,350 beds and 5 veterans cemeteries. In addition, veterans service officers are located in almost every county of the state to provide counseling and assistance to veterans in identifying and applying for state and/or federal benefits.

The MVC is funded by seven separate sources, as follows:

General Revenue: Annual appropriations from the state's General Revenue Fund are spent by the Veterans Home Program.

Facilities Maintenance Reserve Fund: Annual appropriations from the state's Facilities Maintenance Reserve Fund are spent for maintenance, repairs, replacements, and improvements at facilities statewide.

Missouri Veterans Commission-Federal Fund: Federal funds are provided to supplement the construction/renovation of homes and cemeteries.

Veterans Commission Capital Improvement Trust Fund: This fund receives monies transferred from the Gaming Commission Fund and is used for the construction, maintenance, renovation, or equipment needs of homes; construction, maintenance, renovation, equipment needs and operation of



Missouri Veterans Commission Organization and Statistical Information

cemeteries; fund transfers to the Missouri Veterans Homes Fund to maintain solvency of that fund; and for the administration of the MVC. This fund also has been designated as the funding source for various memorial or museum grants and medallion or other recognition programs.

Missouri Veterans Homes Fund: This fund is comprised of resident fees from individuals living in the homes and per diem reimbursements from the federal Department of Veterans Affairs, and is the primary funding source for the operation of the homes.

Veterans Trust Fund: This is a charitable fund that receives donations from businesses and individuals, or through the state income tax form check-off box. These funds can be used for any function of the commission.

World War I Memorial Trust Fund: This fund receives monies from voluntary contributions from applicants who apply for military license plates as well as grants, gifts, bequests, and the federal government. The fund is to be used for the restoration, renovation, and maintenance of a memorial or museum or both dedicated to World War I.

The MVC is composed of nine members. Two members shall be members of the Senate, one appointed by the President Pro Tem of the Senate and one appointed by the Senate Minority Floor Leader, two members shall be members of the House of Representatives, one appointed by the Speaker of the House of Representatives and one appointed by the House Minority Floor Leader, and in appointing such members, preference shall be given to current or former members of the military and their spouses, parents, and children. Members appointed from the House of Representatives and the Senate shall be appointed for a 2-year term or until a successor is appointed and may be reappointed to the commission. Five members, who shall be veterans, are appointed by the Governor, with the advice and consent of the Senate, for a 4-year term; except that initial appointments to the commission shall consist of two veterans to serve 4-year terms, two veterans to serve 3-year terms, and one veteran to serve a 2-year term. In addition, the chair of the Missouri Military Preparedness and Enhancement Commission or the chair's designee shall be an ex officio member of the commission.



Missouri Veterans Commission
Organization and Statistical Information

Commission Members at
June 30, 2015

On June 30, 2015, the MVC had the following members:

Commissioner	Term Expires
J. Michael Mowrer	November 2, 2016
Scott C. Englund (1)	November 2, 2013
Nancy M. Nelson (1)	March 17, 2013
Oliver Boyer	November 2, 2017
Charles R. Wooten	November 2, 2015
Senator Dan Brown	January 13, 2017
Senator Scott Sifton (1)	January 22, 2015
Representative Denny Hoskins (1)	January 23, 2015
Representative Rochelle Walton Gray	January 26, 2017

(1) Commissioners continue to serve until a successor is appointed.

The MVC appoints an executive director who implements policies and is responsible for the statewide management of veterans programs. The executive director reports regularly to the commission concerning all aspects of program operations through quarterly commission meetings. Larry Kay has served as Executive Director since August 2008.

Appendix A

Missouri Veterans Commission
Combined Statement of Receipts
Year Ended June 30, 2015

	General Revenue	Facilities	Missouri Veterans	Veterans	Missouri Veterans	Veterans	Total
	Fund	Maintenance	Commission -	Capital Improvement	Homes Fund	Trust Fund	(Memorandum
		Reserve Fund	Federal Fund	Trust Fund			Only)
Federal receipts	\$ 0	35,597	747,761	959,090	66,056,734	0	67,799,182
Room and care	0	0	0	0	27,249,137	0	27,249,137
Settlements	1,513	0	0	0	3,530	0	5,043
Refunds	0	0	0	145	1,765	150	2,060
Donated assets	0	0	0	0	123,403	5,083	128,486
Rebates	1	0	0	5,297	27,436	0	32,734
Cafeteria and other sales	0	0	0	0	267,943	0	267,943
Miscellaneous	0	0	0	74	2,066	349	2,489
Total	\$ 1,514	35,597	747,761	964,606	93,732,014	5,582	95,487,074

Appendix B
Missouri Veterans Commission
Statement of Appropriations and Expenditures
Year Ended June 30, 2015

	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND			
Veterans Homes - Expense and Equipment	\$ 8,000,000	7,760,000	240,000
Total General Revenue Fund	8,000,000	7,760,000	240,000
FACILITIES MAINTENANCE RESERVE FUND			
Maintenance, repairs, replacements, and improvements at facilities statewide (1)	3,832,233	487,490	3,344,743
Total Facilities Maintenance Reserve Fund	3,832,233	487,490	3,344,743
MISSOURI VETERANS COMMISSION-FEDERAL FUND			
Construction, renovations, and improvements at state veterans homes (1)	2,382,463	0	2,382,463
Repairs, replacements, and improvement at the Warrensburg Veterans Home (1)	494,471	494,471	0
Installation of anti-wander systems at veterans homes statewide (1)	494,313	494,312	1
Total Missouri Veterans Commission-Federal Fund	3,371,247	988,783	2,382,464
VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST FUND			
Veterans Homes - Personal Service	28,992	16,105	12,887
Information Technology Services Division - Expense and Equipment (1)	53,780	52,996	784
Veterans Recognition Program - Expense and Equipment (1)	136,732	8,616	128,116
Administration and Service to Veterans - Personal Service	3,540,364	3,281,185	259,179
Administration and Service to Veterans - Expense and Equipment	1,307,855	1,131,892	175,963
Veterans Service Officer Program	1,600,000	1,393,284	206,716
Veterans Recognition Program - Personal Services (1)	92,889	78,385	14,504
Reimbursing the Division of Employment Security benefit account for claims paid to former state employees for unemployment insurance coverage and for related professional services (1)	5,017	2,184	2,833
Operation of institutional facilities, utilities, systems furniture, and structural modifications (1)	2,786,011	2,786,011	0
Construction, renovations, and improvements at state veterans homes (1)	822,459	20,681	801,778
Payment of real property leases, utilities, systems furniture, and structural modifications (1)	147,448	117,551	29,897
Operation of state-owned facilities, utilities, systems furniture, and structural modifications (1)	111,988	107,586	4,402
Installation of electronic medical records at veterans homes statewide (1)	1,055,709	1,055,708	1
Maintenance, repairs, replacements, and improvements at facilities statewide (1)	488,004	488,003	1
Installation of anti-wander systems at veterans homes statewide (1)	266,207	266,206	1
Total Veterans Commission Capital Improvement Trust Fund	12,443,455	10,806,393	1,637,062
MISSOURI VETERANS HOMES FUND			
Information Technology Services Division - Personal Service (1)	366,265	300,629	65,636
Information Technology Services Division - Expense and Equipment (1)	564,952	428,186	136,766
Veterans Homes - Personal Service	51,939,858	49,459,060	2,480,798
Veterans Homes - Expense and Equipment	22,118,246	14,972,624	7,145,622
Refunds to veterans and/or the U.S. Department of Veterans Affairs	1,274,400	608,618	665,782
Reimbursing the Division of Employment Security benefit account for claims paid to former state employees for unemployment insurance coverage and for related professional services (1)	175,804	118,495	57,309
Overtime to state employees	1,564,438	1,564,435	3
Administration and Service to Veterans - Personal Service	520,632	394,218	126,414
Administration and Service to Veterans - Expense and Equipment	131,588	90,430	41,158
Total Missouri Veterans Homes Fund	78,656,183	67,936,695	10,719,488
VETERANS TRUST FUND			
Administration and Service to Veterans - Expense and Equipment	23,832	18,588	5,244
Veterans Homes - Expense and Equipment	49,980	49,302	678
Total Veterans Trust Fund	73,812	67,890	5,922
WWI MEMORIAL TRUST FUND			
Restoration, renovation, and maintenance of a World War I memorial	150,000	100,000	50,000
Total WWI Memorial Trust Fund	150,000	100,000	50,000
Total All Funds	\$ 106,526,930	88,147,251	18,379,679

(1) The amounts include Office of Administration appropriations expended on behalf of the Missouri Veterans Commission (MVC) for design and construction and leasing of MVC facilities and cemeteries, information technology services, and reimbursements of claims paid to former state employees for unemployment insurance coverage, and for related professional services; and Adjutant General appropriations expended on behalf of the MVC for the Veterans Recognition Program.

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30, 2015
General Revenue Fund	
Veterans Homes - Expense and Equipment	\$ 240,000

Appendix C

Missouri Veterans Commission Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2015	2014	2013	2012	2011
Salaries and wages	\$ 55,094,016	53,823,333	53,532,475	52,615,274	52,814,986
Travel:					
In-state	329,797	329,593	370,980	386,810	370,871
Out-of-state	35,950	25,827	25,548	33,024	15,627
Fuel and utilities	12,390	10,201	8,165	2,867	44
Supplies	17,693,119	16,847,327	17,527,814	17,673,133	16,972,256
Professional development	122,938	126,928	142,941	148,045	126,837
Communication services and supplies	739,571	607,924	537,648	527,056	518,700
Services:					
Professional	2,347,732	1,152,369	1,082,148	1,245,641	1,358,221
Housekeeping and janitorial	226,247	207,466	236,716	224,685	236,051
Maintenance and repair	712,757	841,311	864,861	948,426	828,045
Equipment:					
Computer	108,483	96,631	250,166	115,218	170,738
Motorized	211,036	132,187	342,843	309,440	471,059
Office	168,223	121,767	233,577	129,735	258,834
Other	1,895,227	545,242	1,264,479	1,568,129	2,003,003
Property and improvements	3,229,867	1,880,433	6,986,445	2,876,350	5,731,849
Building lease payments	2,991,381	2,989,974	2,748,634	80,682	184,109
Equipment rental and leases	74,021	67,624	69,516	69,179	237,167
Miscellaneous expenses	31,915	29,797	35,290	35,123	44,935
Refunds	608,618	561,432	499,987	447,926	333,325
Program distributions	1,513,963	1,617,052	1,600,188	1,905,877	1,395,430
Total Expenditures	\$ 88,147,251	82,014,418	88,360,421	81,342,620	84,072,087

Appendix D

Missouri Veterans Commission
Statement of Changes in General Capital Assets
Year Ended June 30, 2015

All Funds		Land	Land Improvements	Buildings	Furniture and Equipment	Motor Vehicles	Tools	Total
Balance, July 1, 2014	\$	2,129,550	1,661,121	178,343,651	13,018,477	2,067,502	2,676	197,222,977
Additions		0	298,480	16,977,668	1,470,549	158,871	0	18,905,568
Dispositions		0	0	0	(290,376)	(138,304)	0	(428,680)
Balance, June 30, 2015	\$	<u>2,129,550</u>	<u>1,959,601</u>	<u>195,321,319</u>	<u>14,198,650</u>	<u>2,088,069</u>	<u>2,676</u>	<u>215,699,865</u>

	Balance June 30, 2015
<u>Fund of Acquisition</u>	
General Revenue Fund	\$ 17,830,544
Missouri Veterans Commission - Federal Fund	104,689,090
Veterans Commission Capital Improvement Trust Fund	79,729,402
Missouri Veterans Homes Fund	10,031,475
Other Funds	3,419,354
Total All Funds	<u>\$ 215,699,865</u>



Nicole Galloway, CPA
Missouri State Auditor

Madison County



April 2016
Report No. 2016-018

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Madison County

Sheriff's Controls and Procedures

The sheriff lacks sufficient controls and procedures over two commissary bank accounts. One employee is primarily responsible for handling deposits and disbursements, and the sheriff does not perform documented reviews of accounting records. Receipt slips are not always issued and do not always reflect the method of payment, preventing the reconciliation of receipt slips to deposits. Bank reconciliations are not performed monthly, and a monthly list of liabilities is not prepared to reconcile to the commissary account balance. As a result, an unidentified balance of \$3,323 remains in the account. The sheriff also does not turn over commissary net proceeds to the county Inmate Prisoner Detainee Security Fund, as required by state law. Booking sheets, which record an inmate's cash and property, are not always fully completed, and numerous accounting records have not been retained, including receipt slips for a 6-month period in 2014 and records to support \$8,000 in commissary purchases. Perpetual inventory records are not maintained for commissary items or phone cards and periodic physical inventory counts are not performed. The sheriff and county treasurer do not coordinate efforts to ensure amounts billed for boarding prisoners are received by the county. The sheriff has not entered into written agreements with Fredericktown or surrounding counties for the boarding of prisoners outlining rates and services.

Prosecuting Attorney's Controls and Procedures

Accounting records for 2011 through 2014 have not been retained, as required by state law. The former prosecuting attorney indicated records were left in the office at the end of his term, but the current prosecuting attorney stated he found no records in the office. Auditors were therefore unable to ensure money was handled properly. The missing records prevent the current prosecuting attorney from disbursing money remaining in the accounts, reconciling bank accounts, and monitoring money owed to the office. One employee is primarily responsible for receipting, depositing, and disbursing monies, and the prosecuting attorney does not perform a supervisory review of accounting records. In 2014 and 2015, the prosecuting attorney did not document monthly bank reconciliations for two accounts left open by the previous prosecuting attorney. Balances of \$12,851 and \$16,635 remaining in those accounts are unidentified. The prosecutor also spent \$7,761 from those accounts on a courtroom sound system, lodging, and investigations, circumventing the county's budgetary and disbursement procedures.

Property Tax System

The county collector has access rights in the property tax system that allows her to make changes to individual tax records throughout the tax year. Because the collector is responsible for collecting tax monies, good internal controls require she not have access rights allowing alteration or deletion of tax rates, assessed valuations, and property tax billing information.

Vehicle and Fuel Use

Mileage and fuel logs maintained by the sheriff's office do not indicate when fuel is purchased, so logs cannot be reconciled with statements. The sheriff also does not always document his review of fuel receipts, and the road and bridge supervisor does not reconcile fuel use to fuel purchased.

Additional Comments

Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Madison County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Madison County

We have audited certain operations of Madison County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Madison County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

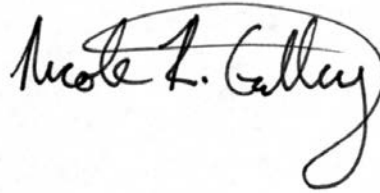
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Madison County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written between the first and last names.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Denise Huddleston, MBA
Audit Staff:	Morgan Alexander
	Margie Freeman, CPA

Madison County

Management Advisory Report

State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures over the Sheriff's commissary accounts and the boarding of prisoners need improvement. The Sheriff operates a jail and maintains a commissary for inmates to purchase various snacks and personal items. The Sheriff holds a commissary account and a commissary profit account for managing commissary activity. Deposits into the 2 commissary bank accounts totaled approximately \$20,500 and receipts from board bills per records of the County Treasurer totaled approximately \$114,000 during the year ended December 31, 2014.

1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform a documented review of bank reconciliations and other accounting records. The Commissary Officer is primarily responsible for receipting, recording, depositing, and disbursing monies and also purchasing, distributing, and maintaining the inventory of commissary items. The Sheriff's review of bank reconciliations and other accounting records is not documented.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies and also purchasing and distributing commissary items to inmates. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential and should include comparing daily receipt activity to deposits and disbursements to supporting documentation.

1.2 Receipting procedures

Manual receipt slips were not always issued and the method of payment (cash, check, or money order) was not always indicated on the receipt slips when monies were received for the commissary account. As a result, receipt slips issued could not be reconciled to the deposits. The Commissary Officer indicated receipt slips are not always issued when receipts are received in the mail or when inmates have cash at the time of their arrest. During our review of the 2014 bank statements, we noted cash was included in most deposits; however, none of the cash was receipted.

To ensure all monies received are properly handled and deposited, and reduce the risk of loss, theft, or misuse of funds, adequate receipting procedures are needed.

1.3 Bank reconciliations and liabilities

The Commissary Officer does not perform monthly bank reconciliations for the commissary bank account. In addition, a monthly list of liabilities is not prepared to reconcile to the commissary account balance. As of May 31, 2015, the commissary account balance was \$4,004, while liabilities, consisting of inmate monies held in the account, totaled \$681, resulting in



Madison County Management Advisory Report - State Auditor's Findings

an unidentified balance of \$3,323. A portion of the unidentified balance could be outstanding checks and commissary profits.

Performing monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the reconciled cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities.

1.4 Commissary net proceeds The Sheriff has not turned over commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. The Sheriff allows inmates to make commissary purchases through his office and retains the net proceeds on the sales in the commissary account. The Sheriff does not track the amount of net proceeds remaining in the account. The Sheriff also maintains a commissary profit bank account; however, this account was not used to deposit net proceeds during most of 2014. As of December 31, 2014, the balance of the commissary account was approximately \$2,000 and the balance of the commissary profit account was approximately \$7,500. The amount of net proceeds earned on the sale of commissary items remaining in these bank accounts is unknown.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer. In addition, Section 488.5026.3, RSMo, mandates how the funds shall be expended.

1.5 Booking sheets Booking sheets are not always completed properly. Booking sheets are used at the time of arrest to record the inmate's cash and property. Based on each inmate's preference, cash is either deposited in the commissary account or remains with the inmate's other property. The property section of the booking sheet was left blank on 9 of the 15 inmate records we reviewed for the period of February through July 2015.

Without including property information on the booking sheets, it is not possible to ensure all inmate property is adequately accounted for.

1.6 Record retention The Sheriff's office did not retain some accounting records for the commissary account.

- The Sheriff's office was not able to provide the check register for the last 10 months of 2014 and also could not locate receipt slips issued during the last 6 months of 2014. Due to the lack of these records, we



Madison County Management Advisory Report - State Auditor's Findings

were not able to ensure receipts were properly accounted for and timely deposited.

- Receipts indicating the items purchased were not retained to support commissary purchases from 2 local businesses. Approximately \$8,000 was paid to these businesses from the commissary account during the year ended December 31, 2014. Without receipts to support the purchases made, it is not possible to ensure disbursements were proper.
- Commissary spreadsheets documenting inmate monies were not always retained. The Sheriff's office records each inmates' beginning cash, receipts, disbursements, and current balances on a spreadsheet. Upon the release or transfer of an inmate, the Sheriff's office uses the spreadsheet to disburse the remaining cash balance to the inmate. However, some spreadsheets were not retained after the inmate's release or transferred to another facility. During our review of 10 inmates' records from 2014, no commissary spreadsheets could be provided by the Sheriff's office. When we selected 15 inmate records from 2015 to review, we found commissary spreadsheets had not been retained for 8 of them.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, indicates all records made or received by officials in the course of their public duties are public property and are not to be disposed of except as provided by law.

1.7 Commissary inventory

The Sheriff's office does not maintain perpetual inventory records of commissary items or phone cards and periodic physical inventory counts are not performed.

A detailed inventory ledger is necessary to adequately account for commissary inventory and phone cards. To ensure commissary items and phone cards are properly recorded and handled, purchases and sales should be compared to actual inventory on hand. Loss, theft, or misuse of commissary inventory and phone cards may go undetected without adequate inventory records.

1.8 Board of prisoners

The Sheriff and the County Treasurer do not have proper controls and procedures in place to track, and ensure timely collection of amounts billed to the City of Fredericktown and surrounding counties for boarding prisoners. The Sheriff's Administrative Assistant sends out invoices for board bills instructing the city and counties to forward payment to the County Treasurer. However, the County Treasurer does not report amounts received to the Sheriff. The Sheriff's Administrative Assistant does not retain these invoices, request payment information from the County Treasurer, or follow up on board bills to ensure payment was made.



Madison County Management Advisory Report - State Auditor's Findings

Procedures such as independent reconciliations of board bill invoices to payments received should be established to ensure payments received are proper and timely. Board bill invoices should be retained, unpaid board bills should be monitored, and appropriate follow-up action should be taken to ensure payment is properly received. Failure to monitor unpaid amounts due may result in a loss of revenue to the county.

1.9 Written agreements

The Sheriff has not entered into written agreements with the City of Fredericktown or surrounding counties for the boarding of prisoners detailing the prisoner housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations.

Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

Similar conditions
previously reported

Similar conditions to sections 1.3, 1.4, and 1.7 were noted in our prior 2 audit reports.

Recommendations

The Sheriff:

- 1.1 Adequately segregate accounting duties or ensure adequate independent or supervisory reviews of detailed accounting and bank records are performed and documented.
- 1.2 Ensure receipt slips are issued for all monies received and the method of payment is indicated on all receipt slips.
- 1.3 Ensure monthly bank reconciliations are performed and lists of liabilities are prepared and reconciled to the cash balance monthly. Any differences between accounting records and reconciliations should be investigated and resolved.
- 1.4 Ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Treasurer for deposit in the Inmate Prisoner Detainee Security Fund and close the commissary profit account.
- 1.5 Ensure booking sheets are completed properly.
- 1.6 Ensure accounting records are properly retained.



Madison County
Management Advisory Report - State Auditor's Findings

- 1.7 Maintain inventory records of commissary items and phone cards and reconcile the records to purchases, sales, and periodic physical inventory counts.
- 1.8 Work with the County Treasurer to develop procedures to track, monitor, and pursue collection of costs for boarding prisoners. In addition, board bill invoices should be retained.
- 1.9 Enter into written agreements with other political subdivisions as appropriate, and ensure the agreements are signed by all parties and specify the services to be rendered and the manner and amount of compensation to be paid.

Auditee's Response

The Sheriff provided the following responses:

- 1.1 *We are currently using an electronic system. We now have 2 employees over the commissary. The Head Jailer receipts monies and prepares bank reconciliations. The Administrative Assistant reviews his work.*
- 1.2 *We no longer accept any monies for inmates. Payments made for inmates are put into the vendor's kiosk and are tracked through the vendor's computer system.*
- 1.3 *The Head Jailer now prepares the bank reconciliations and the Administrative Assistant reviews them. We will review the reports that can be generated by the new electronic system and in the future, we will reconcile inmate balances and unspent commissary profits to the reconciled bank balance.*
- 1.4 *The commissary account has been closed and the monies were moved to the commissary profit account. We plan to turn the money from the commissary profit account over to the County Treasurer and close this account.*
- 1.5 *The Head Jailer now reviews booking sheets each morning to ensure they are completed properly.*
- 1.6 *With the new electronic system, all records are now prepared and retained. Receipt information is maintained in the computer system and receipt slips are printed and retained in the inmates files.*
- 1.7 *We no longer have commissary inventory. We now contract with a vendor to provide commissary items.*



Madison County
Management Advisory Report - State Auditor's Findings

1.8 *The Administrative Assistant now bills for board bills. The County Treasurer receives a copy of the invoices and the payments. I will ensure the Administrative Assistant and/or the County Treasurer are following up on unpaid board bills.*

1.9 *We will determine the cost for boarding inmates and develop written agreements with other entities.*

The County Commission provided the following response:

1.9 *We had an agreement with the City of Fredericktown in the past and are currently reviewing the cost of boarding inmates. We will create a new agreement with the City of Fredericktown. We will look into establishing agreements with surrounding counties.*

2. Prosecuting Attorney's Controls and Procedures

Controls and procedures over the Prosecuting Attorney's accounting records need improvement. In addition, accounting records from the prior Prosecuting Attorney's term, 2011 through 2014, were not available and therefore, we were unable to determine whether monies were properly handled. The Prosecuting Attorney's office receipts monies for bad check and court-ordered restitution and fees. The Prosecuting Attorney deposited approximately \$91,000 during the year ended December 31, 2014.

2.1 Record retention

Accounting records from 2011 through 2014 are missing. The previous Prosecuting Attorney indicated the accounting records were left in the office at the end of his term, however, the current Prosecuting Attorney indicated there were no accounting records when he took office in January 2015. Subsequently, 2014 bank statements were found in the office. Without accounting records, we were not able to ensure monies received were properly and timely deposited and disbursed. Also, the current Prosecuting Attorney cannot properly disburse the remaining monies in the bank accounts, reconcile the bank accounts, and monitor amounts owed to the office.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, indicates all records made or received by officials in the course of their public duties are public property and are not to be disposed of except as provided by law.

2.2 Segregation of duties and supervisory review

The Prosecuting Attorney has not adequately segregated accounting duties and does not perform a supervisory review. The Legal Assistant is responsible for receipting monies, making deposits, disbursing funds, and recording transactions. The Prosecuting Attorney does not perform a supervisory review of accounting records over receipting, depositing, or disbursement procedures to ensure monies are properly and timely recorded, deposited, and disbursed.



Madison County Management Advisory Report - State Auditor's Findings

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement an adequate independent or supervisory review of accounting and bank records.

2.3 Bank accounts

During 2014 and 2015, the Prosecuting Attorney did not perform documented monthly bank reconciliations for the 2 bank accounts remaining open from the previous Prosecuting Attorney. In addition, a monthly list of liabilities is not prepared to reconcile to the bank balances. Balances of the 2 bank accounts were \$12,851 and \$16,635 as of December 31, 2014, and the amounts are unidentified. Additionally, during 2015, the Prosecuting Attorney's office spent \$7,761 from these accounts on a new sound system for the courtroom, lodging, and investigations. As a result, the county's budgetary and disbursement procedures have been circumvented, and transactions have occurred that are not reflected in the county's records.

Performing monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the reconciled cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities. Further, various statutory provisions provide for the disposition of unidentified monies. Additionally, Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. In addition, Attorney General's Opinion 45-1992 to the Hickory County Prosecuting Attorney states prosecuting attorneys are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

Similar conditions previously reported Recommendations

A similar condition to section 2.2 was noted in our prior audit report and a similar condition to section 2.3 was noted in our prior 2 audit reports.

The Prosecuting Attorney:

- 2.1 Ensure accounting records are properly retained.
- 2.2 Adequately segregate accounting duties or ensure adequate independent or supervisory reviews of detailed accounting and bank records are performed and documented.
- 2.3 Ensure monthly bank reconciliations are performed and lists of liabilities are prepared and reconciled to the cash balance monthly. Any differences between accounting records and reconciliations should be investigated and resolved. After sufficient efforts are made to resolve differences, any remaining unidentified monies should be disposed of in accordance with state law. Payment of



Madison County
Management Advisory Report - State Auditor's Findings

expenses should only be made through the normal county disbursement process as provided for in the county budgets.

Auditee's Response

- 2.1 *We are currently retaining records.*
- 2.2 *I will review and sign the bank reconciliations prepared by the Legal Assistant.*
- 2.3 *We have been comparing the bank statements to the checkbook. In the future, we will prepare documented bank reconciliations. There are no open items related to the new accounts as everything is disbursed. We are unsure what monies remain in the old accounts. We believe these monies relate to Prosecuting Attorney fees and we will turn them over to the County Treasurer for the Prosecuting Attorney Administration Fund. We will close both old accounts.*

3. Property Tax System

The county has not adequately restricted property tax system access. The County Collector has access rights in the property tax system that allows changes to be made to individual tax records throughout the tax year. Because the County Collector is responsible for collecting tax monies, good internal controls require the County Collector not have access rights allowing alteration or deletion of tax rates, assessed valuations, and property tax billing information.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the deletion or alteration of data files and programs.

Recommendation

The County Commission ensure property tax system access is limited to only what is needed for users to perform their job duties and responsibilities.

Auditee's Response

The County Commission provided the following response:

We believe the County Collector has had the software company change her access rights.

The County Collector provided the following response:

The County Assessor and the County Collector currently have different software programs. The County Collector will request the programmer to remove her access once the County Assessor gains access to the Devnet Assessor program.

4. Vehicle and Fuel Use

The county lacks adequate procedures to account for vehicle and fuel use in the Sheriff's office and the Road and Bridge department. The Sheriff's office spent approximately \$48,400 on fuel for 14 vehicles and the Road and



Madison County
Management Advisory Report - State Auditor's Findings

Bridge department spent approximately \$161,700 on fuel and oil purchases for 16 vehicles and 8 pieces of equipment during the year ended December 31, 2014.

- The mileage and fuel logs maintained by the Sheriff's office do not indicate when fuel is purchased, and therefore, fuel logs cannot be reconciled with fuel statements. Employees purchase fuel for patrol cars and the county receives a monthly statement from each vendor for these purchases. During 2014, the Sheriff had 3 accounts with local gas stations and one credit card account for fuel purchases. Employees are to obtain a receipt at the time of purchase, sign it, and remit it to the Administrative Assistant. The Sheriff does not always document his review of fuel receipts with the monthly fuel statements. Of 37 statements we reviewed, 13 (35 percent) were not signed by the Sheriff.
- The Road and Bridge Supervisor does not reconcile fuel use to fuel purchased. The fuel logs do not always include the mileage or the gallons of fuel purchased, and therefore, fuel logs cannot be reconciled with fuel statements.

Procedures for reviewing fuel use and reconciling use to fuel purchased are necessary to ensure the reasonableness and propriety of fuel use and disbursements. Also, complete mileage and fuel logs are necessary to document the appropriate use of vehicles and to support fuel charges. Failure to account for fuel purchases could result in loss, theft, and misuse going undetected.

Recommendation

The County Commission and the Sheriff establish procedures to maintain adequate records to effectively monitor fuel use. In addition, ensure fuel purchases are reconciled to fuel use and fuel statements and investigate any significant differences.

Auditee's Response

The County Commission provided the following response:

The fuel statements for road and bridge show the date, amount purchased, and mileage. We will add mileage to the receipts and compare the receipts to the statements.

The Sheriff provided the following response:

We have a vehicle maintenance system where officers can enter the fuel use and purchases. We can print a report to use to compare to the monthly invoice. We will begin using this system to monitor fuel use.

Madison County

Organization and Statistical Information

Madison County is a county-organized, third-class county. The county seat is Fredericktown.

Madison County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 64 full-time employees (including elected officials) and 17 part-time employees on December 31, 2014.

In addition, county operations include the Senate Bill 40 Board, the Law Enforcement Restitution Board, and the Domestic Violence Board. Also, the county has 911 operations.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2015	2014
Robert Mooney, Presiding Commissioner	\$	27,602
Jim Thompson, Associate Commissioner		25,567
Tom Stephens, Associate Commissioner		25,567
Paula Francis, Recorder of Deeds		38,732
Donal E. Firebaugh, County Clerk		38,732
Andrew Tarry, Prosecuting Attorney		45,011
Robert (Bobby) Spain, Sheriff		42,824
Nadean Rice, County Treasurer		38,732
Collin L. Follis, County Coroner		11,215
Carol Lachance, Public Administrator		20,394
Debby Boone, County Collector, year ended February 28,	38,732	
Dennis Bradford, County Assessor, year ended August 31,		38,732
William Douglas McFarland, County Surveyor (1)		

(1) Compensation on a fee basis.



Nicole Galloway, CPA
Missouri State Auditor

Office of State Treasurer

Year Ended
June 30, 2015



April 2016
Report No. 2016-019

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Office of State Treasurer

Background

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, in short-term U.S. government securities, or in certain allowable commercial paper and banker's acceptances.

The State Treasurer operates in four major functional areas (1) accounting and banking services, (2) disbursements and records, (3) investments and deposit programs, and (4) unclaimed property. Auditors reviewed policies and procedures and financial records, interviewed personnel, and selected transactions related to those four major areas.

Findings

The audit identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures. No findings resulted from this audit.

In the areas audited, the overall performance of this entity was **Excellent**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Office of State Treasurer

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Clint Zweifel, State Treasurer
Jefferson City, Missouri

We have audited certain operations of the Office of State Treasurer in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2015. The objectives of our audit were to:

1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

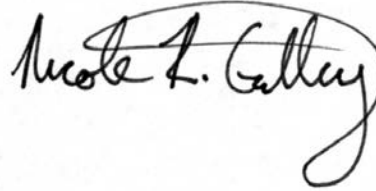
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

For the areas audited, we identified (1) no deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures.

Report No. 2016-016, *State of Missouri Single Audit, Year Ended June 30, 2015*, issued in March 2016 communicated the results of our audit of the state's financial statements and its use of federal awards during the year ended June 30, 2015. That report identified a deficiency in internal controls for the State Treasurer's Office in ensuring the accuracy of year-end financial data submitted to the Office of Administration - Division of Accounting for use in preparing the *Missouri Comprehensive Annual Financial Report* for the year ended June 30, 2015. The complete finding, recommendation, and auditee response is contained in that report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written in a smaller, more compact script between the first and last names.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Gayle Garrison
Audit Staff:	Albert Borde-Koufie, MBA
	Christopher A. McClain
	Nicholas Schafer, MBA

Office of State Treasurer

Organization and Statistical Information

The office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, in short-term U.S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas (1) accounting and banking services, (2) disbursements and records, (3) investments and deposit programs, and (4) unclaimed property.

The accounting and banking services area (1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, (2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances, (3) controls receipt of state monies collected by state agencies and deposited in local banks throughout the state, (4) reconciles bank activity to receipt and disbursement activity reflected on the state books, (5) determines the amount of state monies not needed for current operating expenses, and (6) confirms daily disbursements with the bank as certified by the Office of Administration.

The disbursements and records area provides processing support to other areas of the office by (1) retrieving state checks, and (2) controlling and processing outlawed checks and processing and verifying claims for replacement checks.

The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447, RSMo). The Unclaimed Property Division is responsible for (1) ensuring unclaimed property is reported, (2) receiving and recording reports of unclaimed property, (3) depositing unclaimed funds to the Abandoned Fund Account Fund, (4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and (5) processing owner claims for abandoned funds or physical property.

On January 14, 2013, Clint Zweifel was inaugurated for his second term as the forty-fifth Treasurer of the state of Missouri. His term will expire in January 2017.



Office of State Treasurer
Organization and Statistical Information

As of June 30, 2015, the office had 45 full-time positions to assist in the accomplishment of its mission.

Financial Activity

A summary of the office's operating financial activity, cash and investment balances, and investment income is presented in the following Appendixes and in the Notes to the Appendixes.

Appendix A

Office of State Treasurer
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
Year Ended June 30, 2015

	Treasurer's General Operations Fund	Treasurer's Information Fund	Central Check Mailing Service Revolving Fund	Abandoned Fund Account Fund	Total (Memorandum Only)
RECEIPTS					
Agency securities interest	\$ 2,189,521	0	0	0	2,189,521
Time deposit interest	258,450	0	0	0	258,450
Unclaimed properties	0	0	0	100,581,909	100,581,909
Mail and postage services	0	0	89,293	0	89,293
Miscellaneous	2,910	251	0	2,178	5,339
Total Receipts	<u>2,450,881</u>	<u>251</u>	<u>89,293</u>	<u>100,584,087</u>	<u>103,124,512</u>
DISBURSEMENTS					
Personal service	1,447,882	0	10,183	519,442	1,977,507
Employee fringe benefits	652,499	0	6,827	279,463	938,789
Unemployment benefits	1,737	0	0	0	1,737
Expense and equipment	246,338	761	67,108	77,303	391,510
Advertising and auction expenses	0	0	0	1,075,211	1,075,211
Abandoned fund claim payments	0	0	0	39,309,427	39,309,427
Cost allocation plan	24,076	0	0	0	24,076
Leasing operations	181,108	0	0	0	181,108
Total Disbursements	<u>2,553,640</u>	<u>761</u>	<u>84,118</u>	<u>41,260,846</u>	<u>43,899,365</u>
RECEIPTS OVER (UNDER)					
DISBURSEMENTS	(102,759)	(510)	5,175	59,323,241	59,225,147
TRANSFERS					
From General Revenue Fund	0	0	0	1,354,608	1,354,608
To General Revenue Fund	0	0	0	(44,175,308)	(44,175,308)
To Mental Health Trust Fund	0	0	0	(32,781)	(32,781)
To State Public School Fund	0	0	0	(2,141,035)	(2,141,035)
Total Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>(44,994,516)</u>	<u>(44,994,516)</u>
RECEIPTS OVER (UNDER)					
DISBURSEMENTS AND TRANSFERS	(102,759)	(510)	5,175	14,328,725	14,230,631
CASH AND INVESTMENTS, JULY 1	<u>1,872,659</u>	<u>2,625</u>	<u>400</u>	<u>19,418,201</u>	<u>21,293,885</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 1,769,900</u>	<u>2,115</u>	<u>5,575</u>	<u>33,746,926</u>	<u>35,524,516</u>

The accompanying Notes to the Appendixes are an integral part of this statement.

Appendix B

Office of State Treasurer

Comparative Statement of Appropriations and Expenditures

			Year Ended June 30,			
			2015		2014	
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Issuing duplicate/outlawed checks	\$ 2,000,000	1,900,873	99,127	1,625,000	1,614,905	10,095
Refunds of excess interest from the linked deposit program	2,500	2,463	37	2,500	530	1,970
Sustainable communities/family economic stability program models	0	0	0	225,000	225,000	0
Total General Revenue Fund	2,002,500	1,903,336	99,164	1,852,500	1,840,435	12,065
TREASURER'S GENERAL OPERATIONS FUND						
Personal service	1,611,525	1,447,882	163,643	1,596,591	1,467,869	128,722
Expense and equipment	270,672	246,338	24,334	270,672	242,496	28,176
Total Treasurer's General Operations Fund	1,882,197	1,694,220	187,977	1,867,263	1,710,365	156,898
TREASURER'S INFORMATION FUND						
Expense and equipment	8,000	761	7,239	8,000	763	7,237
Total Treasurer's Information Fund	8,000	761	7,239	8,000	763	7,237
CENTRAL CHECK MAILING SERVICE REVOLVING FUND						
Personal service	12,074	10,183	1,891	11,894	9,905	1,989
Expense and equipment	225,000	67,108	157,892	225,000	62,762	162,238
Total Central Check Mailing Service Revolving Fund	237,074	77,291	159,783	236,894	72,667	164,227
ABANDONED FUND ACCOUNT FUND						
Personal service	536,365	519,442	16,923	530,019	512,238	17,781
Expense and equipment	98,600	77,303	21,297	98,600	93,923	4,677
Advertising and auctions	1,475,000	1,075,211	399,789	1,475,000	1,176,330	298,670
Payment of claims for abandoned property	40,500,000	39,309,427	1,190,573	40,000,000	38,604,634	1,395,366
Total Abandoned Fund Account Fund	42,609,965	40,981,383	1,628,582	42,103,619	40,387,125	1,716,494
Total All Funds	\$ 46,739,736	44,656,991	2,082,745	46,068,276	44,011,355	2,056,921

The accompanying Notes to the Appendixes are an integral part of this statement.

Appendix C

Office of State Treasurer Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,	
	2015	2014
Personal service	\$ 1,977,507	1,990,012
Travel	39,635	27,033
Expense and equipment	283,817	261,238
Communications expense	95,845	92,383
Professional services	956,632	1,102,332
Maintenance and repair services	67,226	63,940
Equipment and software purchases	23,566	29,348
Abandoned fund claim payments	39,309,427	38,604,634
Replacement of outlawed checks	1,900,873	1,614,905
Other	0	225,000
Refunds of excess interest from the linked deposit program	2,463	530
Total Expenditures	\$ <u>44,656,991</u>	<u>44,011,355</u>

The accompanying Notes to the Appendixes are an integral part of this statement.

Appendix D

Office of State Treasurer

Comparative Statement of Funds in Custody of State Treasurer

	2015	2014	2013	2012	2011
APPROPRIATED FUNDS					
Demand Deposits:					
US Bank	\$ 2,550,938	89,043	21,066	19,521,037	19,576,124
Central Bank	44,588,087	25,777,485	72,111,952	8,162,215	69,141,278
Wells Fargo Bank	75,005,354	75,008,898	75,026,626	0	0
Commerce Bank	8,823,746	8,049,837	8,637,503	10,063,041	14,987,119
Bank of New York Midwest	0	0	0	75,045,355	50,045,196
UMB Bank	124,063	36,741	13,939	(1,032,510)	(25,491,067)
Collection bank accounts	2,567,900	2,097,687	1,958,119	2,560,911	12,160,071
Total Demand Deposits	<u>133,660,088</u>	<u>111,059,691</u>	<u>157,769,205</u>	<u>114,320,049</u>	<u>140,418,721</u>
Pooled Investments:					
Time deposits	496,858,052	531,748,998	559,725,267	569,867,495	652,429,893
U.S. government securities	2,185,298,465	2,100,914,983	2,300,958,056	2,070,031,748	2,224,602,562
Commercial paper and banker acceptances	0	0	0	0	61,693,783
Repurchase agreements	877,952,000	833,101,000	846,675,000	887,623,000	1,213,394,000
Total Pooled Investments	<u>3,560,108,517</u>	<u>3,465,764,981</u>	<u>3,707,358,323</u>	<u>3,527,522,243</u>	<u>4,152,120,238</u>
Total Demand Deposits and Pooled Investments	<u>3,693,768,605</u>	<u>3,576,824,672</u>	<u>3,865,127,528</u>	<u>3,641,842,292</u>	<u>4,292,538,959</u>
Special Fund Dedicated Investments:					
U.S. government securities	49,265,012	46,998,293	41,280,359	39,270,832	39,282,060
Donated corporate stock	5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments	<u>49,270,142</u>	<u>47,003,423</u>	<u>41,285,489</u>	<u>39,275,962</u>	<u>39,287,190</u>
Total Appropriated Funds	<u>3,743,038,747</u>	<u>3,623,828,095</u>	<u>3,906,413,017</u>	<u>3,681,118,254</u>	<u>4,331,826,149</u>
NONAPPROPRIATED FUNDS					
Demand deposits	13,505,558	12,721,952	12,375,296	10,640,648	10,926,394
Repurchase agreements	0	1,012,000	1,000,000	1,006,000	0
Commercial paper and banker acceptances	0	0	0	0	999,988
Total Nonappropriated Funds	<u>13,505,558</u>	<u>13,733,952</u>	<u>13,375,296</u>	<u>11,646,648</u>	<u>11,926,382</u>
Total Cash and Investments	<u>\$ 3,756,544,305</u>	<u>3,637,562,047</u>	<u>3,919,788,313</u>	<u>3,692,764,902</u>	<u>4,343,752,531</u>

The accompanying Notes to the Appendixes are an integral part of this statement.

Appendix E

Office of State Treasurer

Comparative Statement of Interest Received on Pooled Investments

	Year Ended June 30,				
	2015	2014	2013	2012	2011
INTEREST RECEIPTS					
General and special funds	\$ 19,147,768	21,870,120	23,614,348	26,429,849	31,748,010
Debt retirement funds	2,466,920	2,125,573	1,515,945	2,288,094	2,906,855
Total Appropriated Funds	21,614,688	23,995,693	25,130,293	28,717,943	34,654,865
Trust funds	1,555	808	1,473	6,539	3,792
Total Interest Receipts	\$ <u>21,616,243</u>	<u>23,996,501</u>	<u>25,131,766</u>	<u>28,724,482</u>	<u>34,658,657</u>

The accompanying Notes to the Appendixes are an integral part of this statement.



Notes to the Appendixes

1. Basis of Presentation

Amounts presented in Appendixes A through E are reported on the budgetary or cash basis of accounting. The budgetary basis recognizes revenues as cash is received and expenditures as cash is disbursed. Missouri issued a Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015, in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial activity of the Office of State Treasurer is included in the CAFR.

The amounts presented in Appendix A represent receipts, disbursements, transfers, and cash balances of funds that are dedicated to the activities and programs of the office.

The amounts presented in Appendixes B and C represent funds appropriated to the office by the Missouri General Assembly and expended by the office.

The amounts presented in Appendixes D and E represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subject to appropriation; trust funds are not. The appendixes do not include any funds or investments that are not in the custody of the State Treasurer.

2. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U.S. government. This section further authorizes the State Treasurer to place all such monies on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U.S. government or any agency or instrumentality thereof maturing or becoming payable not more than 5 years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. The State Treasurer may also invest in banker's acceptances issued by domestic commercial banks possessing the highest rating issued by at least 2 nationally recognized statistical rating organizations and in commercial paper, issued by domestic corporations receiving the highest rating issued by at least 2 nationally recognized statistical rating organizations. Investments in bankers acceptances and commercial paper shall mature and become payable not more than 180 days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain, and adhere to a written investment policy that shall include an



Office of State Treasurer
Organization and Statistical Information

asset allocation plan limiting the total amount of state money that may be invested in each investment category authorized by law.

Deposits

The State Treasurer maintains approximately 206 demand deposit bank accounts throughout the state. These accounts include collection accounts for various state agencies and the state's primary operating accounts. Cash balances in the state's operating accounts that are not needed for immediate use are invested.

The State Treasurer's deposits at June 30, 2015, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo, require depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The State Treasurer's investments at June 30, 2015, are listed by type below to give an indication of the level of risk assumed by the state at year end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.

Investments in Custody of State Treasurer - June 30, 2015

	Reported Amount	Fair Value
Time deposits	\$ 496,858,052	496,858,052
U.S. government securities	2,234,563,477	2,234,042,380
Repurchase agreements	877,952,000	877,952,000
Other investments	5,130	73,439
Total investments	\$ 3,609,378,659	3,608,925,871

Investments are recorded at acquisition cost except "other" investments which are recorded at par. Investments in time deposits and repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U.S. government securities are acquired at fair value and mature at face value.

3. Demand Deposit and Collection Accounts

The demand deposit accounts on Appendix D are used to manage the state's daily receipt, disbursement, and transfer activities and to segregate funds available for investing.

The demand deposit accounts consist of the following:



Office of State Treasurer
Organization and Statistical Information

Demand Deposit Accounts

	June 30, 2015		June 30, 2014		June 30, 2013	
	Bank Balance (\$)	Number of Accounts	Bank Balance (\$)	Number of Accounts	Bank Balance (\$)	Number of Accounts
US Bank	2,550,938	1	89,043	1	21,066	1
Central Bank	161,954,859	33	177,858,617	32	170,849,347	31
Commerce Bank	8,999,974	9	8,285,228	9	8,812,671	9
Wells Fargo	75,096,454	2	75,100,857	2	75,014,605	2
UMB Bank	124,063	1	36,741	1	13,939	1

The collection bank accounts on Appendix D consist of three master concentration accounts and their related collection accounts. The master General Concentration, Conservation Concentration, and Lottery Concentration accounts were at Central Bank at June 30, 2015, 2014, and 2013 and have been reported above. The related collection account bank balances were \$2,848,010, \$2,571,803, and \$2,243,064 at June 30, 2015, 2014, and 2013, respectively.

Banking service agreements on the central demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. The negative balances at June 30 (Appendix D) for the appropriated funds demand deposits represent the book balance net of amounts invested.

4. Special Fund Dedicated
Investments

The State Treasurer is assigned the authority for recording direct investments of special funds in the accounting system. The amounts presented as special fund dedicated investments in the appropriated funds on Appendix D represent specific investments made or held by the State Treasurer on behalf of the Pansy Johnson-Travis Memorial State Gardens Trust Fund and the State Public School Fund. The State Treasurer is responsible for purchasing, custodial, income collection, distribution, and record-keeping duties related to the investments of these funds.

The investments of the Pansy Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments transferred to the State Treasurer from the previous trustee of the fund. The investment purchases for the State Public School Fund are made in accordance with the instructions of the State Public School Fund investment committee.



Nicole Galloway, CPA
Missouri State Auditor

Dunklin County



April 2016
Report No. 2016-020

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Dunklin County

County Collector-Treasurer's Annual Settlements

The county collector-treasurer lacks procedures to ensure all property tax receipts and disbursements are accounted for properly. As similarly reported in prior audits, the county collector-treasurer has not prepared annual settlements of property taxes since taking office in April 2009. As of December 2015, the county collector-treasurer had not prepared the annual settlement for the year ending February 28, 2015, and in previous years, the county clerk's office had prepared annual settlements for the county collector-treasurer. The February 28, 2014, annual settlement incorrectly reported the county collector's commissions twice, causing the settlement to show \$58,000 more had been disbursed than collected. The county commission does not review the annual settlements as required by law, so the \$58,000 error was not discovered prior to the audit.

Sheriff's Controls and Procedures

The sheriff has not adequately segregated duties or performed documented supervisory reviews of the fee account or the inmate commissary account maintained by his office. One employee performs nearly all the accounting duties for each account, increasing the risk of loss, theft or misuse without documented independent reviews. The sheriff also has not established adequate controls or procedures over receipts and deposits for the inmate commissary account. Therefore, the reason for a \$114 cash shortage could not be determined. Bank reconciliations for the inmate commissary account have not been prepared since May 2014, and employees do not prepare monthly lists of liabilities for either bank account. At auditors' request, the office prepared lists of liabilities and determined an unidentified balance of \$1,195 in the fee account and a shortage of \$74 in the inmate commissary account. The sheriff has not turned over all net proceeds from commissary commissions and fees to the county treasury as required by state law, and the office does not always refund inmate money upon an inmate's release. The office was holding \$13,819 for 1,438 inactive inmates as of December 31, 2014. Records also showed 563 active inmate accounts totaling more than \$6,000, while the justice center has a capacity of only 174 inmates. The sheriff's office also collected a \$1.25 set-up fee from inmates that is not allowed by state law.

Prosecuting Attorney's Controls and Procedures

The prosecuting attorney's office clerk does not prepare timely monthly bank reconciliations. As of March 2015, the clerk had not performed bank reconciliations since the previous June. She also does not prepare a monthly list of liabilities and was unable to create one at auditors' request. Audit staff prepared a list of liabilities and found that liabilities exceeded the bank balance by \$2,682. The prosecuting attorney's office also has not established procedures to follow up on outstanding checks. As of the most recent bank reconciliation in June 2014, the restitution bank account had 199 checks totaling more than \$32,000 outstanding for over a year, of which nearly \$13,000 had been outstanding since 2011 or earlier. Personnel also do not prepare lists of unpaid restitution and do not proactively identify and follow up on cases with unpaid amounts.

One-Time Salary Payments	As reported in the previous audit, the county made one-time payments totaling \$50,117 in lieu of permanent cost of living adjustments to employees and elected officials that may be in conflict with the Missouri Constitution. Each full-time employee and elected official (except the prosecuting attorney) was paid \$650 in 2014, and part-time employees were paid a percentage of \$650 based on the number of hours they worked. Payments were not based on additional duties performed or performance appraisals and were not considered raises. Awarding additional pay to employees and officials on a discretionary basis conflicts with Article III, Section 39 of the Missouri Constitution. In addition, state law requires cost of living adjustments to be the same percentage for all county elected officials. However, since most county officials' salaries are not the same, the one-time payment amounts would constitute different percentages of the elected officials' salaries and could be a violation of state law.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Dunklin County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Dunklin County

We have audited certain operations of Dunklin County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Dunklin County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

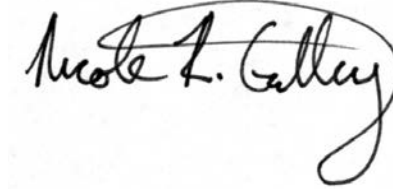
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud and violations of legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Dunklin County.

An additional report, No. 2016-013, *Dunklin County Public Administrator*, was issued in March 2016.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written between the first and last names.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Tina Disney, M.Acct.
Audit Staff:	Albert Borde-Koufie, MBA
	Joshua Shope, M.Acct.
	Michelle Pummill

Dunklin County

Management Advisory Report

State Auditor's Findings

1. County Collector-Treasurer's Annual Settlements

The County Collector-Treasurer's annual settlement procedures are not sufficient to provide adequate assurance all property tax receipts and disbursements are accounted for properly. In addition, the County Commission is not reviewing annual settlements for accuracy. The County Collector-Treasurer's office processed collections totaling approximately \$16 million for the year ended February 28, 2015.

As of December 2015, the County Collector-Treasurer had not prepared an annual settlement of property taxes for the year ended February 28, 2015. Also, as noted in prior audits, the County Collector-Treasurer has not prepared annual settlements of property taxes since taking office in April 2009. Rather, the County Clerk's office prepared annual settlements for the County Collector-Treasurer through the year ended February 28, 2014. In addition, the February 28, 2014, annual settlement incorrectly reported County Collector's commissions twice, resulting in the annual settlement erroneously showing approximately \$58,000 more disbursed than collected. Because the County Commission does not review the annual settlements, this error was not discovered.

Section 139.160, RSMo, requires the County Collector-Treasurer to annually settle with the County Commission the accounts of all monies received from taxes and other sources. To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector-Treasurer file annual settlements timely. Section 139.190, RSMo, requires the County Commission to carefully and fully examine the annual settlement of the County Collector-Treasurer and for the County Clerk to certify the amounts to the state.

Similar condition
previously reported

A similar condition was noted in our prior 2 audit reports. Our follow up to the most recent audit, Report No. 2012-59, *Follow-Up Report on Audit Findings - Dunklin County*, issued in June 2012 (section 4.1), reported the status, at that point in time, as implemented. This status is consistent with representations from county officials and the annual settlement filed with the Department of Revenue and the copy provided to our office. However, during the current audit it was determined the County Clerk had continued to prepare the annual settlement instead of the County Collector-Treasurer through the year ended February 28, 2014. It is the County Collector-Treasurer's statutory duty to prepare the annual settlement and the County Clerk's and the County Commission's statutory duties to review and approve the annual settlement prepared by the County Collector-Treasurer. When the County Clerk's office prepares the annual settlement, these checks and balances are eliminated.

Recommendation

The County Collector-Treasurer prepare and file annual settlements as required by law. In addition, the County Commission and County Clerk



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Management Advisory Report - State Auditor's Findings

should review the accuracy and completeness of the County Collector-Treasurer's annual settlements.

Auditee's Response

The County Collector-Treasurer provided the following response:

I am working with the County Clerk's office to create the year ended February 28, 2015, annual settlement. Once the 2015 settlement is completed, I will work toward preparing and filing settlements timely.

The County Commission and County Clerk provided the following response:

When annual settlements are completed, we will review for accuracy and completeness.

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. Deposits into the Sheriff's fee bank account for civil service fees, mileage, prisoner board, concealed carry weapon fees, jail phone commissions, bonds, and other miscellaneous receipts totaled approximately \$292,000 for the year ended December 31, 2014. Deposits into the Sheriff's inmate commissary bank account for inmate receipts totaled approximately \$294,000 for the year ended December 31, 2014.

2.1 Segregation of duties

The Sheriff has not established an adequate segregation of accounting duties or performed documented supervisory reviews of accounting and bank records. The Office Manager is responsible for receipting, recording, depositing, and disbursing monies, and reconciling the bank account for the Sheriff's fee account. In addition, the Jail Administrator is responsible for recording, depositing, and disbursing monies, and reconciling the bank account for the inmate commissary account. Neither the Sheriff nor other office personnel perform a documented supervisory or independent review of accounting and bank records.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement a documented independent or supervisory review of accounting and bank records.

2.2 Inmate commissary account receipts and deposits

The Sheriff has not established proper controls or procedures over the inmate commissary account related to receipting and depositing monies to ensure all monies are accounted for properly and deposited timely. As a result, we were unable to determine if all monies were accounted for and deposited properly. We noted the following concerns:

- The Jail Administrator cannot account for the numerical sequence of monies receipted because the computerized system issues a transaction



Dunklin County Management Advisory Report - State Auditor's Findings

number for any action (e.g., receipt, disbursement, deposit, etc.) made in the system. In addition, the method of payment (cash, check, or money order) is not consistently indicated in the computerized system or is sometimes indicated incorrectly.

- Receipts are not deposited timely. During our cash count on February 25, 2015, we noted receipts from January 31, 2015, to February 25, 2015, were on hand. Some of these monies had not been receipted into the computerized system. In addition, when the deposit was made on February 26, 2015, the deposit totaled \$6,612 and related receipt records totaled \$6,726, resulting in a shortage of \$114 in cash deposited. Office personnel were not sure why the deposit shortage occurred or what happened to the \$114.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, adequate controls need to be in place to allow for the accountability of the numerical sequence of all receipt transactions. In addition, receipts need to be recorded timely and indicate the method of payment. The composition of receipts should be reconciled to the composition of deposits. In addition, all monies should be deposited timely and intact.

2.3 Bank reconciliations and liabilities

The Sheriff's office does not prepare complete and accurate bank reconciliations for the inmate commissary bank account, and does not reconcile liabilities to available cash balances for either bank account.

Bank reconciliations

As of the start of our fieldwork in February 2015, the Jail Administrator had not prepared a bank reconciliation for the inmate commissary account since May 2014. The Jail Administrator stated she stopped preparing bank reconciliations because she identified unreconciled differences dating back to January 2014 and could not properly reconcile the bank records to the jail records for this account. At our request, the Jail Administrator performed bank reconciliations for the months of June 2014 through February 2015 in March 2015, and determined the unreconciled differences were due to data entry errors that have now been corrected.

Liabilities

Neither the Jail Administrator nor the Office Manager prepares monthly lists of liabilities for the fee account or inmate commissary account, and consequently, liabilities are not compared to the reconciled bank balances. At our request, a list of liabilities for the fee account was prepared and identified liabilities totaled \$21,585 at December 31, 2014. The reconciled bank balance was \$22,780, leaving an unidentified balance of \$1,195. Also, at our request, a list of liabilities for the inmate commissary account was prepared and identified liabilities totaled \$71,838 at May 31, 2014. The reconciled bank balance was \$71,764, indicating a shortage of \$74, and sufficient funds may not be available to pay all liabilities.



Dunklin County Management Advisory Report - State Auditor's Findings

The preparation of complete and accurate monthly bank reconciliations, including investigation and correction of unreconciled amounts, is necessary to ensure accounting records are in balance and to identify errors timely. In addition, regular identification of liabilities and comparison to the reconciled cash balances is necessary to ensure bank and book records agree, and cash is sufficient to meet liabilities.

2.4 Net proceeds and fees

The Sheriff's office has not turned over to the county treasury all net proceeds or fees earned from inmates on various fees, telephone card sales, jail phone commissions, and commissary commissions. The Sheriff's office held \$15,707 in net proceeds and fees in the inmate commissary account as of December 31, 2014. In addition, during the year ended December 31, 2014, Sheriff's office commissary net proceeds totaling \$217,596 were remitted to the County Collector-Treasurer and recorded in the General Revenue Fund. However, based on an August 2013 law change, at least some of these net proceeds should have been recorded in the Inmate Prisoner Detainee Security Fund.

Section 221.102, RSMo (effective August 28, 2013), requires each county jail to keep revenues from its canteen or commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Collector-Treasurer. In addition, to adequately account for collections and reduce the risk of loss, theft, or misuse of funds, all remaining monies should be disbursed to the County Collector-Treasurer monthly.

2.5 Refunds

The Sheriff's office does not have procedures to ensure all inmate monies are refunded upon release. As of December 31, 2014, the Sheriff's office was holding \$13,819 for 1,438 inactive inmates. These inmates had been released from the county justice center, but they had not claimed balances remaining in their commissary accounts. In addition, office records listed 563 active inmate accounts totaling \$6,196 as of December 31, 2014. However, this active inmate total is likely inaccurate because the justice center only has a capacity for 174 inmates.

Follow up on inactive accounts is necessary to ensure monies are appropriately disbursed to the former inmates or as otherwise provided by state law. In addition, establishing procedures to refund all inmate monies upon release and updating inmate status timely will allow the Sheriff to more adequately safeguard any monies being held and reduce the risk of loss, theft, or misuse of funds.

2.6 Commissary set-up fee

The Sheriff's office is collecting a \$1.25 commissary account set-up fee that is not allowed by state law. According to office personnel, the fee is



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collected from inmates at the time of booking to set up a commissary account even though the commissary contractor does not charge account set-up fees. There is no statutory authority allowing the Sheriff to charge and collect such a fee at the time of booking.

2.7 Release of inmate funds

The Sheriff's office does not have a formal written policy for releasing inmate funds to family members. The current office procedure is for personnel to obtain the inmate's signature, the officer's signature, the recipient's signature, and a photocopy of the recipient's photo ID. However, 4 of the 6 disbursements we reviewed during the year ended December 31, 2014, were missing one or more of these required items. The Jail Administrator indicated staff were not properly trained on releasing inmate's funds to family members due to the turnover in the office.

To adequately account for the release of funds to family members and reduce the risk of loss, theft, or misuse of funds a written policy should be established to obtain proper documentation, and officers should be trained on the proper procedures.

Similar conditions
previously reported

Similar conditions to sections 2.3 and 2.5 were noted in our prior audit report.

Recommendations

The Sheriff:

- 2.1 Adequately segregate accounting duties or ensure independent or supervisory reviews of accounting and bank records are performed and documented.
- 2.2 Work with the computer software vendor to ensure adequate controls are in place to account for the numerical sequence of receipt numbers assigned by the computerized system. The Sheriff should ensure the method of payment is indicated for all receipt transactions, transactions are recorded timely for all monies received, the numerical sequence of receipts is accounted for properly, and the composition of receipts is reconciled to the composition of deposits. In addition, deposits should be made timely.
- 2.3 Perform complete and accurate bank reconciliations for the inmate commissary bank account and reconcile bank balances for both the inmate commissary bank account and the fee account to monthly lists of liabilities, ensuring any differences are investigated and promptly resolved.
- 2.4 Ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed



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monthly to the County Collector-Treasurer for deposit into the Inmate Prisoner Detainee Security Fund. In addition, the Sheriff should determine the amount of the net proceeds remitted to the County Collector-Treasurer during 2014 that were earned after August 2013 and request the County Collector-Treasurer transfer that amount from the General Revenue Fund to Inmate Prisoner Detainee Security Fund.

- 2.5 Refund all inmate monies to inmates upon release. In addition, the Sheriff should attempt to resolve unclaimed balances of inactive inmate accounts. If the payee cannot be located, the amount should be disbursed in accordance with state law.
- 2.6 Discontinue charging and collecting the inmate commissary set-up fee at the time of booking.
- 2.7 Establish a written policy to ensure all documentation is obtained before disbursing funds to inmate families, and train officers on the proper procedures.

Auditee's Response

- 2.1 *The Sheriff performs supervisory reviews of accounting and bank records. The Office Manager is responsible for receipting, recording, depositing, and disbursing monies, and reconciling the bank account for the Sheriff's fee account. The Jail Administrator is responsible for recording, depositing, and disbursing monies, and reconciling the bank account for the inmate commissary account. The Sheriff with the assistance of the Office Manager and the Jail Administrator provides a supervisory review of the funds of the Office of Sheriff. These reviews will be documented in the future.*
- 2.2 *Controls and procedures have been established over the inmate commissary account that establish the proper receipting and depositing of monies in a timely manner. We have a new commissary vendor, which eliminated the need for numerical sequence of receipted money within our computerized system. Kiosk machines are now receiving all the funds with accounting of the funds made by the Jail Administrator and two additional employees three times per week. This accounting includes ensuring all receipts collected by the machine are accounted for, ensuring the composition of each deposit agrees to the composition of the receipts, and ensuring related deposits are made timely. The cash count conducted by the auditors on February 25, 2015, revealed an unexplained shortage of \$114. Sheriff Holder personally reimbursed the Inmate Prisoner Detainee Security Fund for this shortage.*



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- 2.3 *The Sheriff's Office does now prepare complete and accurate bank reconciliations for the inmate commissary bank account. Liabilities are reconciled to available cash. The Office Manager prepares a monthly list of liabilities for the Sheriff's fee account. There is a preparation of complete and accurate monthly bank reconciliations completed by the Office Manager and Jail Administrator. The work performed by the auditors for the month of May in 2014 on the Inmate Commissary Account indicated a shortage of \$74, and Sheriff Holder personally reimbursed the Inmate Prisoner Detainee Security Fund for this shortage.*
- 2.4 *All net proceeds and/or fees earned from inmates on commissary set-up fees (now discontinued), miscellaneous fees, telephone card sales, jail phone commissions, and commissary commissions have been turned over to the county treasury. All funds from this account are remitted to the county with proceeds going into the Inmate Prisoner Detainee Security Fund. Since the audit started our funds have been transferred from the General Fund to Inmate Prisoner Detainee Security Fund correcting the error of money that was not deposited per state statute.*
- 2.5 *The refunds made to inmates with checks that have not been cashed are currently being reviewed, with monies left in the inmate account being applied to any board billed owed by the inmate. Where no board bill account has been established, the funds from the inmate's account are being prepared to be sent to the State of Missouri as unclaimed property.*
- 2.6 *The commissary set-up fee has been discontinued.*
- 2.7 *A written policy has been established requiring Sheriff's office personnel (jail staff) to ensure all documentation is obtained before disbursing funds to inmate families. Training of Sheriff's office employees on the disbursing of funds has been implemented. The procedure of releasing inmate funds are as follows: (1) inmate's signature, (2) the officer's signature, (3) the recipient's signature, and (4) photocopy of the recipient's photo ID.*

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected approximately \$294,000 in money orders for bad check and court-ordered restitution and fees during the year ended December 31, 2014.

Stephen Sokoloff was the Prosecuting Attorney during 2014. Jeff McCormick took office in January 2015.



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Management Advisory Report - State Auditor's Findings

3.1 Bank reconciliations and liabilities

The Office Clerk does not prepare monthly bank reconciliations timely. As of March 2015, the Office Clerk had not performed any bank reconciliations since June 2014 because she was unable to reconcile the June 2014 bank balance to the book balance. In addition, the Office Clerk does not prepare monthly lists of liabilities, and therefore, liabilities are not reconciled to the available cash balance. At our request, the Office Clerk tried to create a list of liabilities; however, she was unable to create one. We prepared a list of liabilities totaling \$6,389 as of June 30, 2014. The identified liabilities of \$6,389 exceeded the reconciled bank balance of \$3,707 by \$2,682, indicating sufficient funds may not be available to pay all liabilities. The shortage is partially due to an \$817 overpayment of Missouri Office of Prosecution Services fees, for which the office is attempting to receive reimbursement. When taking this overpayment into consideration, there is still a shortage of \$1,865. Based on our review, this shortage likely occurred prior to 2013.

The preparation of complete and accurate monthly bank reconciliations, including investigation of discrepancies, is necessary to ensure accounting records are in balance and to identify and correct errors timely. In addition, regular identification of liabilities and comparison to the reconciled cash balances is necessary to ensure bank and book records agree, and cash is sufficient to meet liabilities.

3.2 Outstanding checks

The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks. As a result, at June 30, 2014 (the date of the most recent bank reconciliation), the restitution bank account had 199 checks totaling \$32,167 that had been outstanding for over a year. Of this amount, 158 checks totaling \$12,808 related to checks issued in 2011 or earlier. The office has not taken any action to reissue or resolve these outstanding checks.

Proper follow-up procedures are necessary to prevent the accumulation of old outstanding checks and ensure monies are appropriately disbursed to the payee or as otherwise allowed by state law.

3.3 Accounts receivable

Office personnel do not generate or prepare periodic lists of unpaid restitution, and are not proactive in identifying and following up on cases with unpaid amounts. At our request, a list of accounts receivable was prepared as of March 1, 2015, that identified a total of 1,157 cases, of which 914 cases totaling approximately \$457,000, were overdue. However, our review of the list indicated some items may be duplicate entries and others may have data entry errors. In addition, many of the accounts may be uncollectible because the case was closed, the defendant's probation was revoked, etc. Therefore, it is unclear exactly how much is actually outstanding and collectible.



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Management Advisory Report - State Auditor's Findings

Similar conditions
previously reported
Recommendations

A periodic review of unpaid restitution would allow office personnel to more easily review amounts due, take appropriate steps to ensure amounts due are collected, and determine if any amounts are uncollectible.

Similar conditions to sections 3.1 and 3.2 were noted in our prior 2 audit reports.

The Prosecuting Attorney:

- 3.1 Perform complete and accurate bank reconciliations and reconcile the bank balance to monthly lists of liabilities, ensuring any differences are investigated and promptly resolved.
- 3.2 Establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If the payee cannot be located, the amount should be disbursed in accordance with state law.
- 3.3 Establish procedures to monitor and collect accounts receivable.

Auditee's Response

The current Prosecuting Attorney (Jeff McCormick) provided the following responses:

- 3.1 *We will implement this recommendation by June 2016.*
- 3.2 *We will work toward implementing this recommendation by December 2016.*
- 3.3 *We will periodically review the list of unpaid restitution and determine amounts that are collectible and uncollectible, and implement collection procedures.*

The former Prosecuting Attorney (Stephen Sokoloff) provided the following responses:

- 3.1 *I am not able to identify the source of the shortfall. I am aware that there was a period of time when the automated payment system was not issuing all of the checks that it was showing it had issued. When this was discovered, a request was made to Karpel, the software provider, to review the system operations and assist in providing correct information about which checks had actually been issued and which had not. Although I cannot state with certainty, (since the company was never able to provide the corrected list and we had to attempt contact with all indicated recipients to determine whether particular checks had been issued) I am confident there were some*



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that we could not make any determination about. I agree that the shortage needs to be identified and corrected.

3.2 *There was only a limited ability to follow outstanding checks. There were no stop payment orders issued to the bank on stale checks because there was no source of funding to pay the bank fees for those. The funds in the account were obligated restitution funds that would have become unavailable to use for their designated purpose if they were used to pay bank fees for stop payments. The limits of available time and personnel precluded the substantial personnel/time it would have taken to achieve the limited success in trying to locate payees who moved without providing the office new addresses or accurate telephone numbers. Requests were made to the software provider to enable the program to create monthly reports of outstanding checks over 60 days old. When I left, this feature had not yet been completed. I agree that steps should be taken to identify old checks with payees that cannot be located and the funds represented by these be turned over as unclaimed property.*

3.3. *Although no monthly reports of delinquent restitution cases was obtained, the Prosecutor's office did obtain regular monthly reports of all defendants who were six months from expiring from their original term of probation. These were then checked against the restitution balances, and if there were delinquencies or if the balance was such that the payments being made were not sufficient to satisfy outstanding balances, a Motion to Revoke Probation or to extend the term of probation was filed with the court. In a large number of cases, the court issued warrants for those defendants, some of which are still outstanding, some of which were served and the defendant's probation was revoked, and some in which the court took no action.*

I fully agree with the need for regular review of outstanding/overdue accounts receivable. Such a review would have the significant additional benefit of clearing up much of the duplicative and erroneous entries and remove files that were closed due to no possibility of collection. This would reduce the total of outstanding uncollected accounts shown on the report that was run and reduce it to a mere fraction of the indicated total.

4. One-Time Salary Payments

As similarly noted in our prior audit, the county made one-time payments in lieu of permanent cost of living adjustments (COLAs) to employees and elected officials that may be in conflict with the Missouri Constitution. These payments totaled \$50,117 for 2014.



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Management Advisory Report - State Auditor's Findings

The county paid \$650 to each full-time employee and elected official.¹ Part-time employees were paid a percentage of \$650 based on the number of hours worked during the year. The payments were prorated if the employee or official had not worked a full year for the county at the time the payments were made in January 2014. The payments were not based on additional duties performed or performance appraisals. In addition, the payments were not considered raises or added to the base compensation of employees. The County Commission indicated COLAs were handled in this manner to be fiscally responsible by not permanently increasing employee salaries and waiting until each budget year had ended to determine how much the county could afford to pay each employee. These payments are made in January of each year based on the prior year's fiscal outcome. One-time salary payments were also made in January 2015 and January 2016, totaling \$35,401 and \$58,692, respectively.

Awarding additional pay to employees and officials on a discretionary basis conflicts with Article III, Section 39, Missouri Constitution, which prohibits granting any extra compensation, fee, or allowance to employees for services already rendered. In addition, Section 50.333.12, RSMo, allows a COLA that is the same percentage for all county officials; however, since most county officials' salaries are not the same, the one-time payment amounts would constitute different percentages of the elected officials' salaries and could be a violation of state law.

Recommendation

The County Commission discontinue one-time payments in lieu of COLA salary increases to employees and ensure employee compensation is in compliance with state law.

Auditee's Response

We will take this recommendation under advisement.

¹ The Prosecuting Attorney did not receive this \$650 payment because his salary is set by law to be equal to that of an associate circuit judge.

Dunklin County

Organization and Statistical Information

Dunklin County is a township-organized, third-class county. The county seat is Kennett.

Dunklin County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 84 full-time employees (including elected officials) and 18 part-time employees on December 31, 2014. The townships maintain county roads.

In addition, county operations include the Senate Bill 40 Board and the 911 Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2015	2014
Don Collins, Presiding Commissioner	\$	33,030
Jeanie Herbst, Associate Commissioner		30,350
Patrick McHaney, Associate Commissioner		30,350
Susan Luce, Recorder of Deeds		45,650
Carol Hinesly, County Clerk		45,650
Stephen P. Sokoloff, Prosecuting Attorney		125,287
Bob Holder, Sheriff		50,650
James B. Powell, County Coroner		16,650
Shawnee L. Trowbridge, Public Administrator		45,650
Kathy Rasberry, County Collector-Treasurer (1), year ended March 31,	53,980	
Karen Vandiver, County Assessor, year ended August 31,		44,983

(1) Includes \$8,380 of commissions earned for collecting drainage district property taxes.



Nicole Galloway, CPA
Missouri State Auditor

Marion County



April 2016
Report No. 2016-021

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Marion County

Senate Bill 40 Board's Expenditures

The Marion County Services for the Developmentally Disabled (MCSDD) operates a day program and 4 independent supported living homes. The MCSDD has multiple credit cards that are used by employees to purchase fuel, supplies, equipment, and various other items without board approval, and, at times, without appropriate documentation. The MCSDD Board has not adopted formal policies and procedures documenting who should be assigned a credit card or required documentation to support credit card purchases, which is necessary to provide guidance to employees. The MCSDD did not maintain documentation of or solicit bids for durable medical equipment. It also issued checks for cash to transfer money between funds, to get cash for purchases, and to provide spending money for clients. The executive director's signature is the only signature required on checks issued for less than \$2,500 including checks written to the executive director. The MCSDD issues payroll loans to its employees and awards gifts to employees, both in violation of the Missouri Constitution. Late fees were incurred due to untimely bill payment, and the MCSDD has incurred overdraft charges on its bank accounts.

Senate Bill 40 Board's Controls and Procedures

Some checks received in the mail were not recorded in the mail log. The MCSDD does not issue receipt slips for cash donations, and money is not always promptly recorded. There is no documented reconciliation of receipt logs to amounts entered into the accounting system, and checks were not restrictively endorsed immediately upon receipt. The bank reconciliation for the payroll account was not properly prepared and a list of outstanding checks was not prepared, which provides little assurance that receipts and disbursements have been properly handled. The MCSDD Board has not established procedures to follow up on outstanding checks, which is necessary to prevent the accumulation of these checks. The MCSDD Board discussed issues in closed meetings that are not allowable under the Sunshine Law and open meeting minutes did not cite the specific statute and subsection allowing closed sessions. The MCSDD Board did not post notification or agendas for meetings, in violation of the Sunshine Law, and did not publicize financial statements.

Sheriff's Controls and Procedures

The sheriff maintains proceeds from commissary sales in the commissary account and uses the money to purchase items for jail operations and the sheriff's office. The sheriff did not solicit bids for items purchased with commissary net proceeds and sales tax was paid on several purchases. The sheriff has not adequately segregated accounting duties, does not review accounting records, and does not document his review of the commissary bank reconciliations. Receipt slips are not always issued when money is received, deposits are not made timely, and checks are not restrictively endorsed immediately when received.

County Assessor's Controls and Procedures

The county assessor's office does not issue receipt slips for money received in the mail, and cash receipts are not transmitted to the county treasurer.

Electronic Data Security	The county collector, prosecuting attorney, sheriff, recorder of deeds, county assessor, public administrator, and the MCSDD have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The county coordinator does not back up computer data and the prosecuting attorney does not store backup files at an offsite location leaving these offices at risk if data is lost or destroyed. The county collector, prosecuting attorney, recorder of deeds, county assessor, public administrator, and county coordinator do not have security controls in place to lock computers after a specified number of incorrect logon attempts or after a certain period of inactivity.
County Policies and Procedures	Mileage logs are not maintained to track personal commuting use of county vehicles by the road and bridge supervisor and the county coordinator. Timecards are not prepared and submitted to the county clerk's office and leave is not granted for salaried employees in compliance with county policy. The county does not reconcile fuel usage to fuel purchases, which is necessary to ensure the reasonableness and propriety of fuel use. The county used the same provider to serve as both financial advisor and underwriter for lease participation certificates issued, which creates an inherent conflict of interest because an underwriter's incentive is to have a higher interest rate on bonds to make them more attractive to investors, while the advisor should strive to keep the interest rate low to minimize borrowing costs. Although two of the county commissioners received hockey game tickets from the bond underwriter, they stated the tickets did not influence any of their decisions made in regards to the refinancing of the debt.
County Collector's Controls and Procedures	The county collector's office does not always use the actual date of receipt when recording payments and does not account for the numerical sequence of receipt numbers assigned by the computerized property tax system, which is necessary to reduce the risk of loss, theft, or misuse of funds.
Other Notes	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Marion County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Marion County

We have audited certain operations of Marion County in fulfillment of our duties under Section 29.230, RSMo. In addition, Beard-Boehmer & Associates, PC, Certified Public Accountants, was engaged to audit the financial statements of Marion County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

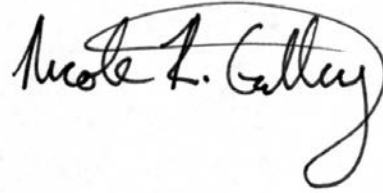
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Marion County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Nicholas Schafer, MBA
	Christopher A. McClain

Marion County Management Advisory Report State Auditor's Findings

1. Senate Bill 40 Board's Expenditures

Sections 205.968 through 205.972, RSMo, allow counties to establish a Senate Bill 40 (SB40) Board and related tax levy to operate a sheltered workshop, residence facility, or related services for the care and/or employment of persons with a disability. The SB40 Board for Marion County is known as the Marion County Services for the Developmentally Disabled (MCSDD). The MCSDD had 71 employees as of December 31, 2014, and operates a day program and 4 independent supported living (ISL) homes. Revenues from property taxes, reimbursements for housing clients in ISL homes, state reimbursements for targeted case management, fundraisers, and donations were approximately \$3 million for the year ended June 30, 2015, and expenditures were also approximately \$3 million. The MCSDD Board is appointed by the Marion County Commission.

Significant improvement is needed over the MCSDD Board's controls over expenditures. Without procedures, controls and adequate documentation pertaining to expenditures, there is no assurance all monies are expended appropriately.

1.1 Credit cards

Controls over credit cards need improvement. The MCSDD has multiple credit cards that are used by employees to purchase fuel, supplies, equipment, and various other items. During the year ended June 30, 2015, credit card purchases totaled \$156,599 on the American Express credit card, \$17,633 on the Walmart credit card, and \$27,698 on fuel credit cards. We identified various problems as follows.

- The MCSDD Board has not adopted formal policies and procedures documenting who should be assigned a credit card, appropriate usage for the credit cards, and required documentation to support credit card purchases.

Complete and detailed written credit card policies and procedures are necessary to provide guidance to employees. The MCSDD should develop policies that indicate who should be assigned a credit card and appropriate usage of credit cards and require all invoices to be submitted prior to payment of credit card statements.

- The MCSDD did not maintain documentation of or solicit bids for 79 pieces of durable medical equipment totaling \$237,536 purchased using the American Express credit card from January 1, 2014, through June 30, 2015. Items purchased included sleep safe beds, special needs strollers, and balance bikes. Prices of the equipment ranged from a few hundred dollars per item to about \$9,000 for certain sleep safe beds. Although MCSDD personnel indicated they conducted Internet searches for the best prices, no documentation was maintained of these price comparisons.



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Management Advisory Report - State Auditor's Findings

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensures the Board has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in MCSDD's business. Documentation of the various proposals received, the Board's selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

- Documentation was not maintained to indicate durable medical equipment was delivered to an appropriate MCSDD client who had demonstrated a need for the equipment. Documentation maintained by MCSDD included authorization for the purchase from the Executive Director, the vendor invoice, and a thank you note from the client receiving the equipment.

To ensure payments are valid and proper and reduce the risk of loss, theft, or misuse of funds, the MCSDD Board should ensure adequate supporting documentation is maintained indicating the client received the equipment.

- The MCSDD Board does not approve purchases made using credit cards. The Executive Director indicated approval of the Board Treasurer is required for expenditures exceeding \$3,000; however, there is no documented Board approval for purchases made using credit cards. Purchases made using credit cards are bypassing this step of the approval process.

To ensure expenditures are an appropriate use of MCSDD funds, the Board should ensure an adequate review of purchases exceeding \$3,000 is performed prior to usage of the credit card.

- The MCSDD did not have documentation to support who received gift cards. Fifty-nine gift cards totaling \$1,709 were purchased during the year ended June 30, 2015, using the Walmart credit card. Some cards may have been given to MCSDD clients and others may have been given to MCSDD employees as staff incentives.

To adequately safeguard gift cards, reduce the risk of their loss, theft, or misuse, and ensure they are received by those intended, records should be established to adequately account for purchased cards, and a receipt obtained supporting who received the card.

Improvement is needed in the MCSDD's handling of credit cards and items purchased with credit cards to ensure all purchases are proper and to reduce the risk of unauthorized purchases occurring.



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Management Advisory Report - State Auditor's Findings

1.2 Checks issued for cash

The MCSDD issued numerous checks for cash. Checks are issued for cash to transfer monies between funds, to obtain cash to make various purchases, and to provide spending cash to clients. From January 2014 through July 2015, the MCSDD issued 439 checks for cash totaling \$204,270 from the following funds.

	Number of Checks	Amount
General Fund	156	\$ 154,023
Paris ISL	76	15,390
Wildrose ISL	74	10,077
Wyaconda ISL	62	11,180
Sunburst ISL	71	13,600
Total	439	\$ 204,270

Checks were issued for cash from the General Fund to transfer monies to the 4 ISL homes. We verified these monies were deposited into the ISL bank accounts. Checks were also issued from the General Fund to obtain cash to make various purchases and to provide spending cash for various programs. The table below summarizes the checks issued for cash from the MCSDD's General Fund.

	Number of Checks	Amount
Paris ISL	35	\$ 45,354
Wildrose ISL	23	34,791
Wyaconda ISL	24	35,732
Sunburst ISL	24	33,645
Bridges Day Program	30	1,444
Service Coordination	7	220
Other	13	2,837
Total	156	\$ 154,023

The 4 ISL homes operated by MCSDD issued checks for cash to withdraw cash to purchase groceries for the homes and provide spending cash to clients as follows:

	Paris	Wildrose	Wyaconda	Sunburst	Total
Groceries	\$ 12,540	7,980	9,030	10,920	40,470
Clients	2,850	2,097	2,150	2,680	9,777
Total	\$ 15,390	10,077	11,180	13,600	50,247



Marion County
Management Advisory Report - State Auditor's Findings

Our review of the checks issued for cash noted the following concerns:

- We noted at least 7 instances where checks were issued for cash to make purchases, but there was no accounting of cash remaining after the purchase. Receipts for cash purchases and any excess cash are supposed to be returned to the Finance Manager. However, in some cases the receipts retained by the Finance Manager did not total the amount of the cash and there was no documentation of what happened to the remainder of the cash.
- There is no documentation that clients received spending money totaling \$9,777, because the clients were not required to sign for the cash.
- There is no documentation that gift cards purchased by MCSDD were received by the intended recipients. The MCSDD purchased 6 gift cards totaling \$980 with cash during the year ended June 30, 2015; however, clients were not required to sign for the gift cards to indicate receipt.
- We noted a \$1,300 check written to cash to purchase Christmas gifts for a family in need in November 2014. The cash was maintained by the Finance Manager until all purchases were made and a spreadsheet was kept to document the use of these monies. Expenditures totaled \$1,222, and \$30 was removed from this Christmas gift cash fund and kept with various other donation money. The remaining \$48 was deposited back into the savings account. Documentation was not maintained to show if this family in need was associated with an MCSDD client or that these monies were spent on an MCSDD client.
- There is no documentation of the prizes awarded or the disposition of change funds after fundraisers are completed. When fundraisers are held, checks are written for cash to establish change funds and to award prizes. The MCSDD has several fundraisers each year to benefit MCSDD clients. Various other fundraisers are held by the employee retention committee to benefit the employees of the MCSDD. For example, we noted a check was issued for cash for \$650 in September 2014 to establish a \$150 change fund for golf tournament entry fees and to award a \$500 cash prize to a raffle winner. However, there was no documentation of who won the raffle and received the \$500 cash prize and there was no documentation that the \$150 was deposited back into the savings account following the tournament.

To ensure payments are valid and proper and reduce the risk of loss, theft, or misuse of funds, the MCSDD Board should discontinue writing checks for cash, obtain documentation for monies and gift cards provided to clients



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Management Advisory Report - State Auditor's Findings

and employees, and maintain adequate supporting documentation for all disbursements.

1.3 Signing checks

The Executive Director's signature is the only signature required on MCSDD checks issued for less than \$2,500 including checks where the Executive Director is also the payee. When the Executive Director is unavailable, her facsimile signature stamp is applied to checks, but there is no documentation of who used the signature stamp or subsequent approval by the Executive Director.

The current procedure of allowing the Executive Director to sign checks where she is also the payee jeopardizes the system of independent checks and balances needed for good internal control. Dual signatures would help provide assurance checks are written only for appropriate disbursements. In addition, if a facsimile stamp is used, the MCSDD should ensure the initials of the person who used the stamp are documented and the Executive Director documents her review and approval of the use of the stamp to ensure disbursements are appropriate and properly authorized.

1.4 Payroll advances

The MCSDD issues payroll loans to employees in violation of the Missouri Constitution. The MCSDD made payroll advances to 11 employees totaling \$8,312 and collected reimbursements totaling \$5,484 from January 2014 through June 2015, leaving an outstanding balance of \$2,828 as of June 30, 2015. MCSDD employees may request salary advances from the Executive Director by indicating the amount needed. If the Executive Director approves the advance, the Payroll Manager will prepare a payroll advance agreement and have the employee sign it, and a check will be processed through the payroll account.

The Payroll Manager tracks payroll advances and the related repayments without any documented review of her work. She notifies the payroll vendor of the amount to withhold from each employee's paycheck and the period for which the withholdings should be made. Payroll advances are reimbursed by withholding part of future payroll checks over time periods as long as 24 months and no interest is charged. The Payroll Manager also participated in the payroll advance program and received advances of \$2,400 from January 2014 through June 2015 with a remaining balance of \$650 as of June 30, 2015, and payments of \$100 a month. Although the Executive Director authorized the advances made to the Payroll Manager, an independent review was not performed to ensure advances made were of the approved amount and repaid in accordance with the payroll advance agreement.

Advance payments of employee compensation are loans of the MCSDD's funds. The Board has no statutory authority to make loans and Article VI, Section 23, Missouri Constitution, specifically prohibits counties, cities, or



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other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

1.5 Mileage reimbursement

Mileage reimbursements made to the Executive Director are not approved and are not in compliance with MCSDD policy. MCSDD policy indicates requests for meals and mileage costs must be submitted on an employee voucher approved by the immediate supervisor and the Executive Director before payment is made. There is no provision in the policy for approving the Executive Director's reimbursement.

We noted an instance where the Executive Director's mileage reimbursement was calculated as \$1,087, however the check was issued for \$1,807, resulting in an overpayment of \$720. There is no review of the Executive Director's mileage reimbursement requests.

Additionally, the MCSDD Board's policy indicates "employees scheduled to travel more than 150 miles round trip shall use the agency gasoline credit card and shall receive reimbursement for the use of their automobile at the rate of \$.19 per mile." We reviewed 3 mileage reimbursements made to the Executive Director and noted 19 trips in excess of 150 miles were reimbursed at the rate of \$.46 per mile. Of these 19 trips, 2 were to conferences in Raleigh, North Carolina. The miles reimbursed for each of these trips totaled 2,026, or \$932 per trip. The Executive Director did not use the MCSDD credit card to purchase fuel for these trips or any other trips exceeding 150 miles as required by policy, and as a result, the cost to the MCSDD to reimburse her mileage was higher than if the policy had been followed.

To ensure MCSDD funds are spent efficiently, the Board should provide oversight of the Executive Director's mileage reimbursements and ensure the Board's policy is followed regarding mileage reimbursements.

1.6 Staff incentives

The MCSDD awards gifts to employees in violation of the Missouri Constitution. During the year ended June 30, 2015, the MCSDD purchased 46 gift cards totaling \$1,420 and provided small gifts and cash payments totaling \$420 to various employees to show appreciation.

These gifts represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39, Missouri Constitution, and Attorney General's Opinion No. 72, from June 14, 1955, which states, ". . . a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

A similar condition was noted in our prior audit report.



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Management Advisory Report - State Auditor's Findings

1.7 Late fees, finance charges, and overdraft fees

Late fees and/or finance charges were incurred due to untimely bill payment and the MCSDD has incurred overdraft charges on its bank accounts.

- Overdraft charges of \$661 were incurred during the year ended June 30, 2015, for the General Fund bank account as a result of negative balances occurring several times during the year. The balance of the General Fund bank account was (\$32,958) on June 22, 2015. Also, additional overdraft fees of \$525 on the General Fund bank account were waived by the bank and overdraft charges of \$27 were incurred on the Payroll Account during the year ended June 30, 2015.
- Late fees and finance charges totaling \$49 were paid to a credit card company during the period July 2014 to July 2015.
- A late charge of \$5 was assessed on the December 2014 cell phone bill.

To prevent unnecessary fees and finance charges, procedures should be in place to ensure bills are paid timely. In addition, to prevent bank account overdraft charges, the MCSDD should more closely monitor bank account balances.

Recommendations

The MCSDD Board:

- 1.1 Establish complete and detailed written credit card policies and procedures, comply with bidding requirements, maintain adequate supporting documentation for all disbursements, ensure credit card purchases are properly approved, and properly account for gift cards.
- 1.2 Discontinue the practice of writing checks for cash and maintain documentation to support all expenditures and distribution of client monies for individual spending.
- 1.3 Require dual signatures on all checks and ensure the signor is not the payee. In addition, the MCSDD Board should establish appropriate controls over the use of the facsimile signature stamp.
- 1.4 Discontinue the policy of allowing payroll advances to employees. In addition, the MCSDD Board should ensure there is proper documented segregation of duties of this program until all remaining loans have been repaid.
- 1.5 Provide oversight for all reimbursements made to the Executive Director, ensure compliance with the mileage reimbursement policy, and obtain repayment for all overpayments.



Marion County
Management Advisory Report - State Auditor's Findings

- 1.6 Discontinue the practice of giving gift cards and cash as employee incentives and ensure all employee compensation is properly taxed and reported to the Internal Revenue Service.
- 1.7 Implement procedures to ensure bills are paid timely and bank account balances are properly monitored to avoid late fees, finance charges, and bank overdraft fees.

Auditee's Response

- 1.1 *MCSDD does have policies, a risk management plan and a corporate compliance plan that identify procedures and recommendations about the discipline of risk management. Of course separate and amended policies have been reviewed to improve oversight of such transactions. The Board Treasurer always reviewed bank statements, transactions and supporting documentation on a monthly basis. In addition, there are always invoices to support purchases but we know that additional supporting documents are needed to clarify "need," etc. Gift cards did have a receipt to verify its purchase but did not always include what the gift cards were used to purchase.*

A detailed credit card policy and procedures was reviewed and approved on October 13, 2015, by the Board of Directors. This policy will ensure additional oversight of credit card purchases.

- *Any charges over \$3,000 will be presented to the Board for approval before purchase.*
- *The Board Treasurer reviews all purchases, credit card statements, and other related supporting documentation on a monthly basis and prior to the monthly board meeting.*
- *The Board Treasurer then signs off that he has reviewed all items related to credit card purchases.*
- *It has always been the practice for the Board Treasurer to review all bank statements and any supported or related documentation.*

An amended "Bid Policy" was reviewed and approved on October 13, 2015, by the Board of Directors. The policy notes that it will refer to the Missouri Revised Statute (Section 50.660, RSMo).

- *Three bids are required for all bids over stated dollar amount.*
- *If three bids cannot be obtained a waiver request is submitted in writing to the Board President for approval and signature. This will be documented in Board minutes.*
- *The following items are needed and attached to final purchase:*
 - *Written request from recipient (or case manager) for durable goods or requested item. This includes the proof of "need" which in relation to an individual would be an updated Individual Support Plan or similar and supporting*



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documentation if the item is reimbursable through client's waiver program or other funding source and using Marion County Services as a third party.

- *Three bids to meet the competitive procurement process for major purchases.*
- *Invoice to document purchase of item.*
- *"Acknowledgement of Receipt" signed by the recipient of the item(s).*
- *Marion County Services no longer purchases gift cards. This practice has been discontinued.*

1.2 *Marion County Services could always verify what checks for "cash" were written for but understands this is not a practice that should be continued.*

Starting September 2015 Marion County Services discontinued writing checks for "cash" with the following exception for the General Fund Account:

- *The clients attending Day Habilitation Program submit checks written to Marion County Services to provide them with activity money.*
- *In turn MCSDD cuts a check for cash and secures it in a fireproof/locked location.*
 - *Transactions are logged and supporting documentation is provided.*
 - *This is a minimal amount and fulfills the client's request to have money available for their required outings while attending day program.*

In reference to the Independent Support Living Home's accounts please see the following:

- *Checks written out of the separate ISL accounts still need to be written for cash when it is for grocery and personal spending dollars. The following procedures have always been followed:*
 - *Each month checks are written out for "Cash" for the exact groceries for the clients who reside in the homes.*
 1. *A book for each home is kept with a log of how the grocery dollars have been spent.*
 2. *A running balance is kept for each home.*
 3. *Receipts are obtained for all purchases.*
 4. *At the end of each month the Home Manager turns in the book with the logs, receipts and any remaining money to the administration office.*
 5. *The logs, receipts, and remaining money are audited to confirm accuracy and to detect if there are any discrepancies that need to be investigated.*



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6. *The books are then returned to the Home Manager after a thorough check of funds.*
- *Each month checks are written for "Cash" for the approved amount in each client's account for personal spending.*
 1. *A book for each home is kept with a log of how the personal dollars have been spent.*
 2. *A running balance is kept for each home.*
 3. *Receipts are obtained for all purchases.*
 4. *At the end of each month the Home Manager turns in the book with the logs, receipts and any remaining money to the administration office.*
 5. *The logs, receipts, and remaining money are audited to confirm accuracy and to detect if there are any discrepancies that would need investigated.*
 6. *The books are then returned to the Home Manager after this process is successfully completed.*

- 1.3 *All reimbursements to the payee, if in fact it was the signor, are reviewed and approved by the Board of Directors. Marion County Services understands this process could be questioned and therefore has changed its procedures as stated below.*

Marion County Services has always required two signatures for checks of \$2,500 or more. The Board discussed and agreed to keep this procedure in place.

The Executive Director will sign all necessary check(s) physically except deemed necessary in her absence in which the stamp will be used. If the stamp is deemed necessary its use will be initialed by the designated personnel using the signature stamp.

For all checks that the Executive Director is the payee, the Board Treasurer signs.

- 1.4 *Marion County Services discontinued employee advances as of August 2015. All loans have been paid in full with the exception of two. One loan will be paid in full on April 18, 2016. The remaining loan will be paid in full on August 12, 2016.*
- 1.5 *The Executive Director has always made the Board aware for review and approval of trainings, etc. that was necessary for her position during monthly board meetings. The two trainings in Raleigh were related to trainings sponsored by CARF Accreditation Surveys. In addition, the Payroll Manager did review Executive Director's reimbursement vouchers.*



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Management Advisory Report - State Auditor's Findings

Executive Director's reimbursement expenses are reviewed and approved by the Board Treasurer.

The Board Treasurer now signs all Executive Director's expense reimbursement checks.

Repayment of the error in mileage reimbursement was immediately reimbursed when Executive Director was verbally made aware of it by a State Auditor representative in August 2015. The error was due to two numbers being transposed. This was an oversight by both the staff reviewing expense reimbursement voucher and the Executive Director.

- 1.6 *Marion County Services no longer provides a staff incentive program. The program was discontinued in August 2015.*

The Board of Directors will discuss the option of legal counsel opinion in relation to IRS reporting.

- 1.7 *Due to limited transfers allowed per month within banking accounts and unpredicted expenses that occurred in those months this has occurred. Unfortunately these are not expenses that Marion County Services intentionally prefers but at times could not be avoided. Better planning and tracking systems have been put in place.*

Procedures have been implemented to review all accounts weekly to avoid unnecessary late fees/charges. The review includes vendors, credit card institutions, and bank accounts.

Auditor's Comment

- 1.2 Our review noted that in some instances, the receipts retained by the Finance Manager did not total the amount of the cash and there was no documentation of what happened to the remainder of the cash. Making purchases with cash is not the best procedure to use. The MCSDD should consider making purchases with checks, credit cards, or store credit.

2. Senate Bill 40 Board's Controls and Procedures

Marion County Services for the Developmentally Disabled (MCSDD)'s controls and procedures need improvement.

2.1 Receipts and deposits

Controls and procedures over receipting and depositing monies for the MCSDD are not sufficient. Manual receipt slips are issued for cash and checks received for clients' activities. In addition, a log is maintained for checks received in the mail; however, we noted several instances where



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checks were not recorded in the mail log, including checks received from employees to reimburse the MCSDD for a staff event. The MCSDD also does not issue receipt slips for cash donations received.

In addition, monies are not promptly recorded in the software system. Receipts are entered into the MCSDD's software system when deposits are prepared. For example, \$7,309 recorded on the receipts log on April 17, 2015, was not entered into the software system or deposited until May 7, 2015. There is no documented reconciliation of the receipt logs to the amount receipted into the software system before deposits are made. Additionally, checks were not restrictively endorsed immediately upon receipt.

To ensure all monies received are properly handled and deposited, and reduce the risk of loss, theft, or misuse of funds, adequate receipting and depositing procedures are needed.

2.2 Bank reconciliations

The June 30, 2015, bank reconciliation for the payroll account was not prepared properly and a list of outstanding checks was not prepared.

By not preparing adequate bank reconciliations including an outstanding check listing, there is little assurance receipts and disbursements have been properly handled and bank balances reconcile to book balances. In addition, accounting and bank errors may not be detected and corrected timely.

2.3 Outstanding checks

The MCSDD Board has not established procedures to routinely follow up on outstanding checks. As a result, at June 30, 2015, 14 checks, totaling \$528, had been outstanding for over a year in the General Fund bank account and 8 of those checks have been outstanding for over 2 years.

Proper follow-up procedures are necessary to prevent the accumulation of old outstanding checks and ensure monies are appropriately disbursed to the payee or as otherwise allowed by state law.

2.4 Closed meetings

The MCSDD Board discussed issues in closed meetings such as the job description and hiring process of a Deputy Director that are not allowable under the Sunshine Law. Additionally, for closed meetings held, open meeting minutes did not cite the specific statute and subsection allowing the closure.

The Sunshine Law, Chapter 610, RSMo, requires the question of holding the closed meeting and the reason for the closed meeting to be voted on at an open meeting. Additionally, the Sunshine Law also limits discussion topics and actions in closed meetings to only those specifically allowed by state law.



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2.5 Posting meeting notifications and agendas

The MCSDD Board did not post notification or agendas for meetings. Posting meeting notifications and agendas demonstrate compliance with the Sunshine Law.

The Sunshine Law, Section 610.020, RSMo, requires notice be given at least 24 hours in advance of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to advise the public of the matters to be considered.

2.6 Budgets

The MCSDD Board did not file formal budgets with the State Auditor's Office for the years ended June 30, 2015, and 2014. In addition, the budgets approved by the MCSDD Board did not include other required information including beginning and projected ending cash balances or comparative statements of actual receipts and disbursements for the prior 2 years.

To be of maximum assistance as a planning tool and to adequately inform the public, budgets should include all beginning available resources and actual receipts and disbursements of the prior 2 years. Section 50.590, RSMo, requires budgets to include detailed budget estimates, showing the recommendations of the budget officer compared with the figures for the last completed fiscal year and the estimates for the current fiscal year, and Section 50.740, RSMo, requires budgets to be submitted to the State Auditor's Office.

2.7 Financial statements

The MCSDD Board did not publish its financial statements for the years ended June 30, 2015, and 2014. Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds. Complete published financial statements are needed to adequately inform the citizens of the Board's financial activities and show compliance with statutory requirements.

Recommendations

The MCSDD Board:

- 2.1 Develop one centralized receipting system and ensure prenumbered receipt slips are issued for all monies immediately upon receipt. In addition, receipts should be deposited timely, and all checks should be restrictively endorsed upon receipt.
- 2.2 Ensure monthly bank reconciliations are properly performed and listings of outstanding checks are prepared to support the bank reconciliations. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 2.3 Establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees



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that can be readily located. If the payee cannot be located, the amount should be disbursed in accordance with state law.

- 2.4 Ensure open meeting minutes document the specific statutory reason for entering closed meetings and ensure items discussed in closed meetings comply with the Sunshine Law.
- 2.5 Provide proper notice of meetings and ensure appropriate agendas are posted and retained.
- 2.6 Ensure accurate and complete budgets are prepared and submitted to the State Auditor's Office as required by state law.
- 2.7 Publish financial statements annually as required by state law.

Auditee's Response

- 2.1 *Marion County Services updated its receipt procedures to centralize the receipting system and issue prenumbered receipt slips upon receipt of monies as of September 2015.*

Receipts are deposited timely and all checks are immediately endorsed upon receipt.

- 2.2 *Due to the bank statements starting at mid-month, it did make the reconciliation difficult, therefore causing the appearance of a discrepancy, but in fact there was not when reviewed from first day of month to the last day of the month. In addition, the payroll account was a fairly new account and did need adjustments. In addition, there has always been an outstanding check list completed for all accounts with the exception of the new payroll account. Due to the fact ADP Payroll Processing actually cuts the payroll checks this was not a system that had been completely put in place with the new payroll account at the time of the State Auditor's review.*

Marion County Services contacted the financial institution to request all bank statements be a full month. This would start the first of the month and end on the last day of the month. This started October 2015.

- *This ensures accuracy in reconciliation.*
- *Outstanding check lists are automatically generated through the QuickBooks accounting software.*
- *All reconciliations are done through the QuickBooks program and not done manually except for the following account, General Fund Account, which is currently done manually.*
 - 1. *The General Fund Account has not been reconciled through the QuickBooks program as of March 2016, but we are currently working towards that procedure. The*



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- reconciliation is still being done manually due to catching up past years of reconciliations in the QuickBooks system.*
2. *The goal is to have the General Fund Account also reconciled through the QuickBooks system instead of manually as it always has been done.*
- *It has always been the practice to investigate discrepancies.*
- 2.3 *All blank checks now have the following printed on the front "Void after 90 days." Outstanding checks are reviewed on a monthly basis. Checks 90 days or older are currently investigated. If the payee has been readily located, the check will be voided and reissued to payee with updated information. Outstanding checks in which payee is not located will be voided and dollars disbursed in accordance with state law.*
- 2.4 *The Board of Directors reviewed and adopted the Sunshine Policy on October 13, 2015. The Board now refers to the reason for entering into closed meeting and ensures that it applies to the Sunshine Law per policy.*
- 2.5 *The Board of Directors has posted agendas but did not do so consistently. The schedule of meetings had always been sent to the newspaper for public notice but not the agendas. Starting October 2015, the board meeting agendas are posted monthly in a display case at the main administration building. The process of posting on the website is currently being added. All posted agendas are retained appropriately.*
- 2.6 *Budgets were submitted to the County Commissioner's office on an annual basis plus if there are any revisions during the mid-year review. They did not get submitted to the State Auditor's under the perception the County Commissioner sent it to the State Auditor's Office. Marion County Services was not notified from the appropriate offices that they were not received otherwise this would have been corrected immediately. Any future correspondence related to budgets will be certified or if done electronically will be sent with "Request Delivery" receipt and a "Request Read" receipt. Marion County Services will submit annual budgets to the State Auditor's Office per state law starting with budget year July 1, 2016 – June 30, 2017. The Executive Director received the official format for the budget and is currently inputting data from the fiscal year 2016 budget.*
- 2.7 *Marion County Services includes its financials in its annual report but has not consistently published them in the newspaper.*



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Financial statements will be posted consistently.

- *Financial revenue and expenditures are posted in the MCSDD annual report. The annual report did not get published consistently on an annual basis but this will be corrected starting with the 2015 annual report.*
- *All financial statements will be posted in the acceptable publications starting at the end of fiscal year 2016 (July 1, 2015 – June 30, 2016).*

3. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected monies for civil fees, concealed carry permits, bonds, board bills, jail phone commissions, inmate commissary funds, and other miscellaneous receipts totaling approximately \$685,000 for the year ended December 31, 2014.

3.1 Commissary net proceeds The Sheriff maintains net proceeds from commissary sales in the commissary account and uses these monies to purchase items for jail operations and the Sheriff's office. During the year ended December 31, 2014, \$81,573 was spent from this account for jail maintenance, equipment, supplies, and meals (\$971) for inmates.

As of December 31, 2014, there was approximately \$22,500 of net proceeds remaining in the commissary account that should be distributed to the Inmate Prisoner Detainee Security Fund.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer. In addition, Section 488.5026.3, RSMo, mandates the use of those funds.

A similar condition was noted in our prior audit report.

3.2 Commissary purchases The Sheriff did not solicit bids for items purchased with commissary net proceeds and sales tax was paid on several purchases. Purchases made from the commissary account did not go through the normal county procurement or budget process and the County Commission did not approve these purchases. Our review determined 2 purchases of prisoner uniforms costing \$6,708 and \$4,999 were not properly bid and a lawn tractor purchased for \$3,699 (\$6,199 less a trade in valued at \$2,500) was also not bid. In addition, sales tax was paid on some purchases using commissary funds because the Sheriff does not ensure all vendors are notified of sales tax exemption status.



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Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest prices and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made. Additionally, sales tax should not be paid on purchases since the county is tax exempt.

3.3 Segregation of duties and supervisory review

The Sheriff has not adequately segregated accounting duties, does not review accounting records, and does not document his review of the commissary bank reconciliations. The Sheriff's Clerk is primarily responsible for receipting, recording, depositing, and disbursing monies, and also reconciling the bank accounts.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies, and also reconciling the bank accounts. If proper segregation of duties cannot be achieved, documented independent or supervisory review of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits and disbursements to supporting documentation.

3.4 Receipts and deposits

Receipt slips are not issued when monies are received, deposits are not made timely, and checks are not restrictively endorsed immediately upon receipt.

The Sheriff's office in the Hannibal Courthouse does not issue receipt slips for money received. These monies are kept in a locked box and transported to the Sheriff's office at the jail in Palmyra to be receipted and deposited along with monies received in the Palmyra office. Monies received at the jail in Palmyra are kept in a locked box until the monies are removed to receipt into the software system and deposit. The Sheriff's office made 5 deposits to the fee account totaling \$9,754 in December 2014. There were 13 days between the last 2 deposits. Because receipt slips are not issued, the date of receipt as compared to the date of deposit cannot be determined. In addition, the Hannibal office does not restrictively endorse checks immediately upon receipt. All checks are restrictively endorsed at the jail in Palmyra.

To reduce the risk of loss, theft, or misuse of monies received going undetected, prenumbered receipt slips should be issued for all monies received, deposits made timely, and checks should be restrictively endorsed immediately upon receipt.



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Recommendations

The Sheriff:

- 3.1 Ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Treasurer for deposit in the Inmate Prisoner Detainee Security Fund.
- 3.2 Ensure bids are solicited for all applicable purchases of goods and services in accordance with state law and ensure sales tax is not paid on purchases.
- 3.3 Adequately segregate accounting duties or ensure adequate independent or supervisory reviews of detailed accounting and bank records are performed and documented.
- 3.4 Ensure prenumbered receipt slips are issued for all monies immediately upon receipt, receipts are deposited timely, and all checks are restrictively endorsed immediately upon receipt.

Auditee's Response

- 3.1 *I will meet with the County Commission and decide with them how to implement the turnover of commissary funds to the County Treasurer for deposit into the Inmate Prisoner Detainee Security Fund.*
- 3.2 *We solicit bids by calling vendors and in the future, we will ensure those contacts are documented. In addition, we feel the purchase of the lawn tractor was a single source purchase and in the future, we will document those decisions. We will establish procedures to ensure sales tax is not paid in the future.*
- 3.3 *We have segregated the duties for receipting and depositing. In addition, the Sheriff or Chief Deputy now review accounting and bank records.*
- 3.4 *I have addressed the receipting issues with the Hannibal office. All money is now receipted into a prenumbered receipt book and stamped for deposit only upon receipt. In the Palmyra office, we will receipt timely with prenumbered receipt slips.*

4. County Assessor's Controls and Procedures

Controls and procedures in the County Assessor's office need improvement. The County Assessor's office receives monies from the sale of maps, faxes, and copies, and transmitted \$3,240 to the County Treasurer during the year ended December 31, 2014. We noted the following concerns:

- Office personnel do not issue receipt slips for monies received in the mail. In addition, they did not issue receipt slips for the sale of maps



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until November 2014. We also noted an instance where the clerk in charge of receipting was on vacation and the checks received were transmitted to the County Treasurer, but these payments were not receipted (from using copies of the checks) until the clerk returned from her vacation.

- Cash receipts are not transmitted to the County Treasurer as required. Instead, the County Assessor uses the cash receipts as a petty cash fund. The County Assessor pays a monthly drinking water service bill with petty cash and this disbursement does not go through the normal county procurement or budget process.

To reduce the risk of loss, theft, or misuse of funds, prenumbered receipt slips should be issued for all monies received immediately upon receipt, and receipts should be transmitted to the County Treasurer intact. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation.

Recommendation

The County Assessor issue prenumbered receipt slips for all monies received, transmit all receipts intact to the County Treasurer, and discontinue using cash receipts for petty cash expenditures. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation. The total of the cash and vendor invoices on hand should always equal the predetermined amount of the petty cash fund.

Auditee's Response

We will start issuing prenumbered receipt slips for all monies received. Cash receipts in excess of \$150 will be turned over to the County Treasurer. In the future, all cash receipts will be included in the monthly turnover and all disbursements will go through the county disbursement process.

5. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access. In addition, some data are not backed up or stored offsite.

5.1 Passwords and user names

The County Collector, Prosecuting Attorney, Sheriff, Recorder of Deeds, County Assessor, Public Administrator, and the MCSDD have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user. In addition, the official and all employees in the applicable office share a user account and password to access some



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computers in the Recorder of Deeds' office and the County Collector's office.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed and/or are shared by employees in these offices, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

5.2 Backup data

The County Coordinator does not back up computer data and the Prosecuting Attorney does not store backup files at an offsite location leaving these offices at risk if data is lost or destroyed.

Preparation of backup data, preferably on a daily or at least weekly basis, and offsite storage provides increased assurance county data could be recovered if necessary. Failure to store computer backup data at a secure offsite location results in the backup data being susceptible to the same damage as the data on the computer.

5.3 Security controls

The County Collector, Prosecuting Attorney, Recorder of Deeds, County Assessor, Public Administrator, and County Coordinator do not have security controls in place to lock computers after a specified number of incorrect logon attempts or after a certain period of inactivity. In addition, the Sheriff does not have security controls in place to lock computers after a certain period of inactivity.

Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

Recommendations

- 5.1 The County Commission work with county officials and the MCSDD Board to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.



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- 5.2 The County Coordinator should ensure computer data is backed up periodically, and the Prosecuting Attorney should ensure backup files are stored at a secure offsite location.
- 5.3 The County Commission work with county officials to require each county computer to have security controls in place to lock the computer after a specified number of incorrect logon attempts and after a certain period of inactivity.

Auditee's Response

The County Commission provided the following response:

5.1-5.3 We will take these recommendations under advisement and work towards implementing policies to address these issues.

The County Coordinator provided the following response:

5.2 Since the fall of 2015, I have been backing up computer data on an external hard drive. I will unplug it and take it home with me.

The County Collector provided the following responses:

5.1 Each member of the County Collector's staff now has his/her own individual password. Due to limitations of our Tracx Tax Collection software the system cannot automatic prompt the user to change passwords periodically. All passwords will be changed annually as an office policy.

5.3 After modifications to the Tracx Tax Collection system in mid-2015 the Tracx system logs the user off after a short period of inactivity. Re-entering a password and user name is required to log back into the system. The user is blocked from logging in after 5 failed logon attempts.

The County Sheriff provided the following responses:

5.1 This recommendation has been implemented. Passwords are changed every 120 days.

5.3. We will implement this recommendation.

Marion County Services for the Developmentally Disabled provided the following response:

5.1 Marion County Services requires all employees to change their passwords every 90 days starting September 2015. This is always done on the ADP payroll processing but no boundaries had been set



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on the agency computers. Procedures have been put in place to electronically inform the employee to change their password every 90 days.

The Prosecuting Attorney provided the following response:

5.2 *Computer data is currently backed up on our server. We plan to purchase a hard drive to use for back ups and we will take this and store it offsite.*

6. County Policies and Procedures

Several county policies and procedures need improvement. Mileage logs are not maintained to track personal commuting use of county vehicles by 2 employees, and salaried employees are not preparing time cards or tracking leave. In addition, fuel purchased by the road and bridge department is not reconciled to fuel used and improvement is needed in the handling of lease financing.

6.1 Commuting mileage

Mileage logs are not maintained to track personal commuting use of county vehicles. The Road and Bridge Supervisor and the County Coordinator are allowed to use county vehicles to commute to and from home daily, and do not maintain a detailed mileage log of personal and business use. Instead, the Road and Bridge Supervisor and the County Coordinator submit estimated personal miles to the County Clerk annually. The County Clerk uses the estimated personal miles to calculate the value of personal use reported on the employee's W-2 form.

Without adequate mileage logs, the county cannot effectively demonstrate the purpose that the vehicles are used for. Mileage logs should include trip information (e.g., beginning and ending odometer readings, destination, and purpose). The value of fringe benefits reported to the Internal Revenue Service should be supported by properly documented mileage logs.

6.2 Timecards

Timecards are not prepared and submitted to the County Clerk's office and leave is not granted for salaried employees in compliance with county policy.

The county pays 5 employees, excluding elected officials, on a salary basis. Salaried employees do not prepare timecards or submit timesheets; therefore, their immediate supervisor cannot verify the actual time worked during a pay period nor is the County Clerk's office notified of actual time worked for these individuals. In addition, leave is taken at the discretion of the 5 employees and leave balances are not tracked by the County Clerk's office.

The county personnel manual requires every employee complete, on a daily basis, official Marion County timecards distributed by the County Clerk's



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office and all information on the timecard be verified by the elected official of each office prior to submission to the County Clerk's office. In addition, the personnel manual indicates regular full-time employees of the county, who have completed their introductory period, earn vacation time in conjunction with their years of service and 12 days of sick leave each year, and are paid for unused vacation time upon leaving employment. The manual defines an "employee" as those full or part-time employees of the county who work on a salaried or an hourly basis and who are not elected by the electorate of the county; and defines a "regular employee" as an employee who has been designated to a full-time and regular position in the service of the county.

In addition to complying with county policy, adequate documentation of time worked and leave taken is needed to adequately document the legitimacy of payroll amounts and leave balances. Submission of detailed time records to the County Clerk's office that have been reviewed and approved by supervisors would provide support for payroll processed by the county.

A similar condition was noted in our 2 prior audit reports.

6.3 Fuel

The county does not reconcile fuel usage to fuel purchases. The road and bridge department maintains 2 diesel tanks at the road and bridge building. The fuel tanks are metered. The county paid approximately \$170,000 for diesel fuel during the year ended December 31, 2014.

The road and bridge department employees indicate the odometer reading in the fuel log book and indicate the gallons pumped in a tracking sheet maintained at the fuel pumps, but they do not reconcile these records to fuel purchases.

Procedures for reviewing fuel use and reconciling use to purchases are necessary to ensure the reasonableness and propriety of fuel use and disbursements, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection.

6.4 Lease participation certificates

The county used the same provider to serve as both financial advisor and underwriter for lease participation certificates issued. In April 2013, the county issued lease participation certificates totaling \$375,000 to repay lease participation certificates previously issued in August 2006. Lease participation certificates are a method of financing capital projects whereby a financial institution sells interests in the capital projects, leases the projects to a public entity, and repays the certificates with the lease payments. After the certificates have been repaid, the local government typically has the option to purchase at a nominal amount the capital projects it has been leasing. Lease participation certificates are not required to be



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approved by county voters and carry higher borrowing costs than traditional bond financing.

Using the same provider to act in the dual capacity of underwriter and financial advisor for a debt issue creates an inherent conflict of interest. Although 2 of the County Commissioners received hockey game tickets from the bond underwriter, they stated the tickets did not influence any of their decisions made in regards to the refinancing of the debt. The lack of independent financial advice could result in the county not being adequately informed of debt issuance options or being unable to adequately evaluate debt proposals. The underwriter does not have a fiduciary responsibility to the county.

Recommendations

The County Commission:

- 6.1 Require employees commuting in county vehicles to maintain a mileage log to document business, commuting, and personal mileage driven and ensure mileage reported for compensation is adequately supported.
- 6.2 Require all county employees prepare timecards documenting time worked and leave taken to comply with current personnel policies.
- 6.3 Ensure fuel purchases are reconciled to fuel usage and investigate any significant discrepancies.
- 6.4 Discontinue using an underwriter who also acts in a dual capacity as financial advisor for debt issuances.

Auditee's Response

- 6.1 *We will implement this recommendation.*
- 6.2 *We will take this recommendation under advisement and will consult with legal counsel to ensure the county is in compliance with the Fair Labor Standards Act.*
- 6.3 *We will work with the highway department supervisor to establish procedures to reconcile fuel usage to fuel purchases.*
- 6.4 *If this situation occurs in the future, we will look into separating the financial advisor and underwriter functions.*

7. County Collector's Controls and Procedures

Controls and procedures in the County Collector's office need improvement. Collections for the year ended February 28, 2015, totaled approximately \$23 million.



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7.1 Deposits

The County Collector's office did not timely deposit approximately \$2 million received on December 30 and 31, 2014. Deposit slips validated by the bank indicated these monies were deposited from January 5, 2015, to January 7, 2015. The County Collector indicated these monies were held in a safe deposit box at the bank, because the bank would not allow this money to be deposited until sufficient collateral security could be obtained. Marion County entered into a depository agreement with the Palmyra State Bank on December 31, 2012, which was in effect until April 30, 2015. The agreement called for the Marion County Treasurer to consult with the bank 24 hours before the bank account balances would exceed \$3 million allowing the bank time to purchase investments to ensure county funds were insured.

Deposits should be made timely to reduce the risk of loss, theft, or misuse of monies received.

7.2 Receipt dates and payment number sequence

The County Collector's office does not always use the actual date of receipt when recording payments and does not account for the numerical sequence of receipt numbers (payment numbers) assigned by the computerized property tax system.

The computerized property tax system sequentially assigns a payment number for all monies received through the County Collector's office. However, the system allows users to backdate payments received in the system, resulting in payment numbers being out of order. For example, if a mailed in payment is postmarked with a date prior to the month it is entered into the computer system, the County Collector can backdate the date of receipt in the system to the postmarked month for the payment. In addition, payment numbers can be deleted from the system after a receipt has been printed without an audit trail. These control weaknesses allow for possible manipulation of receipt data.

To ensure all monies received are properly recorded and deposited, and reduce the risk of loss, theft, or misuse of funds, consideration should be given to modifying the software program to ensure an audit trail of changes made in the property tax system is maintained and adequate controls are in place to allow the County Collector's office to account for the numerical sequence of payment numbers.

Recommendations

The County Collector:

- 7.1 Ensure receipts are deposited timely.
- 7.2 Work with the computer software vendor to establish controls to account for the numerical sequence of payment numbers assigned by the computerized property tax system, maintain an audit trail of



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changes made in the property tax system, and prevent the editing of payment transaction information after a receipt slip has been printed.

Auditee's Response

7.1 *The previous County Collector apparently had to hold some year-end tax receipts (uncashed checks and cash?) in a safe deposit box for a few days in January 2015 because the bank did not have sufficient collateral in place to cover these additional deposits. To protect the county's deposited funds in excess of \$250,000 in case of the bank default the bank either needs to pledge deposits with other banks or the county needs to purchase U. S. Treasury Bills with the excess funds.*

For the 2015 tax season through regular communications with our banks about expected deposit levels as the tax year end progressed and advance planning of the November and December settlement dates with our taxing entities the County Collector's office was able to coordinate with our banks to ensure that sufficient collateral of bonds were in place to allow timely deposits of daily tax receipts with both of our banks.

7.2 *We acknowledge that there are currently some issues with finding or following transaction numbers in the Tracx Tax Collection database when there is more than one posting date in use at year end or in the case of reversals. Transaction numbers are assigned by the tax collection software to all transactions (tax payments, reversals and refunds) in the actual sequence the transactions occur. The solution is a more flexible range of reports for auditing transactions. With enhanced reporting options for auditing transaction numbers it will be possible to establish an audit trail that is easier to follow.*

Our tax collection software provider was acquired by Clear Basin Software in January of 2016. The company is currently working to improve the functionality of the system. Meetings with Clear Basin are scheduled and enhancing the available reports for transactions is a priority that the Marion County Collector will work with Clear Basin on during 2016.

Marion County

Organization and Statistical Information

Marion County is a county-organized, third-class county. The county seat is Palmyra. The county also has a courthouse in Hannibal that serves as the basis of operations for several county elected officials.

Marion County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 97 full-time employees (including elected officials) and 9 part-time employees on December 31, 2014.

In addition, county operations include the Senate Bill 40 Board (Marion County Services for the Developmentally Disabled) and drainage districts established by the County Commission. The Senate Bill 40 Board employed 53 full-time employees and 18 part-time employees as of December 31, 2014. The County Coordinator manages the bridge replacement program and any other special projects. This office also advises the Planning and Zoning Commission.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2015	2014
Lyndon Bode, Presiding Commissioner	\$	46,006
Larry Welch, Associate Commissioner		44,006
Randy Spratt, Associate Commissioner		44,006
Harla Friesz, Recorder of Deeds		65,390
Valerie Dornberger, County Clerk		65,390
Thomas P. Redington, Prosecuting Attorney (1)		8,090
David Clayton, Prosecuting Attorney (2)		112,430
Jimmy Shinn, Sheriff		68,883
Joelle Fohey, County Treasurer		65,390
Darrell McCoy, County Coroner		23,297
Wendy Howe, Public Administrator		65,390
Mary Ann Viorel, County Collector, year ended February 28,	65,847	
Mark Novak, County Assessor, year ended August 31,		64,958

- (1) Thomas P. Redington was appointed the Associate Circuit Judge for Schuyler County and left employment with the county January 15, 2014.
- (2) David Clayton was appointed January 29, 2014, before winning election as the Marion County Prosecuting Attorney.



Nicole Galloway, CPA
Missouri State Auditor

ADMINISTRATION

Review of Article X, Sections 16 Through 24, Constitution of Missouri Year Ended June 30, 2015



April 2016
Report No. 2016-022

<http://auditor.mo.gov>



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Missouri State Auditor

CITIZENS SUMMARY

Conclusions in the review of Article X, Sections 16 through 24

Background

The Constitution of Missouri was amended in 1980 to add Article X, Sections 16 through 24, commonly referred to as the Hancock Amendment. This tax limitation amendment places restrictions on the amount of personal income used to fund state government, and the amount by which fees and taxes can be increased. Mathematical formulas are used by the Office of Administration, Division of Budget and Planning (OA-BP) to determine the relevant threshold amounts each year.

The Hancock Amendment limits the amount of Missourians' personal income that may be used to fund state government to no greater than the portion used to do so in 1981, when it was 5.6 percent. Because 5.6 percent of Missourians' personal income went to fund state government in 1981, no more than 5.6 percent can be used to do so in future years, unless revenues are specifically excluded by a vote of the people.

The Hancock Amendment also requires voter approval before taxes or fees can be increased by the General Assembly beyond a certain annual limit. Based upon the calculation provided by the OA-BP, the relevant annual revenue limit for fiscal year 2015 was \$94.6 million.

Fiscal Year 2015 Conclusion

For the fiscal year ended June 30, 2015, our review determined total state revenue was approximately \$3.9 billion under the refund threshold, which means no Hancock refund is due. In addition, the OA-BP determined as a result of legislative actions net taxes and fees decreased by a total of \$20.8 million. As a result, our review concluded the state complied with the provisions of the Hancock Amendment.

The revenue limit has not been exceeded since the year ended June 30, 1999.

Because of the limited objective of this review, no overall rating is provided.

Review of Article X, Sections 16 Through 24, Constitution of Missouri

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Douglas E. Nelson, Commissioner
Office of Administration
Jefferson City, Missouri

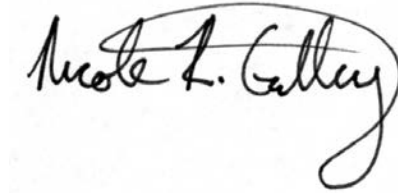
We have conducted a review of revenues of the state of Missouri for the year ended June 30, 2015, and the application to those revenues of Article X, Sections 16 through 24, Missouri Constitution, more commonly referred to as the Hancock Amendment (included as an Appendix). We had previously reported on revenues of the state for the years ended June 30, 1982 through 2014. The amendment, which was adopted by the voters of Missouri on November 4, 1980, limits the growth of state revenues collected in any fiscal year. The objectives of this review were to:

1. Evaluate the formula to calculate the state's revenue limit.
2. Determine the specific items included in total state revenue.
3. Verify the accuracy of the revenue limit computation and compare that limit to total state revenue.
4. Review the state's overall compliance with the provisions of the amendment.

Our review included only the application of the revenue limit to state revenues and, accordingly, did not include a review of the effects of the amendment on any local governmental unit.

Our methodology to accomplish these objectives included discussions with personnel of the Office of Administration, Division of Budget and Planning, inspecting relevant records and reports compiled by that office, and reviewing data and reports from the statewide accounting system.

The Executive Summary and the Background, Methodology, and Conclusions present our comments, findings, and conclusions concerning the state's overall compliance with the provisions of Article X, Sections 16 through 24, Missouri Constitution.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Review of Article X, Sections 16 Through 24, Constitution of Missouri

Executive Summary

Executive Summary

The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income (MPI) be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people. The amendment provides for taxpayer refunds of excess revenues.

The results of our review determined for the year ended June 30, 2015, total state revenue (TSR) was approximately \$3.9 billion under the refund threshold. As a result, no refund is due for the year ended June 30, 2015.

The amendment also imposes an additional revenue limit, which states the general assembly shall not increase taxes or fees in any fiscal year without voter approval that in total produce new annual revenues greater than \$50 million adjusted annually by the percentage change in the personal income of Missouri for the second previous year, or 1 percent of TSR for the second fiscal year prior to the general assembly's action, whichever is less.

For the year ended June 30, 2015, the Office of Administration, Division of Budget and Planning has determined that as a result of legislative actions net taxes and fees decreased by a total of \$20.8 million. As a result, the state also complied with this provision of the amendment.

The revenue limit has not been exceeded since the year ended June 30, 1999. Over the last 5 years, the amount of TSR under the refund threshold has ranged from \$3.6 billion to \$4.0 billion.

A bar graph of TSR compared to the refund threshold follows:

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
CHART OF TOTAL STATE REVENUE VERSUS REFUND THRESHOLD

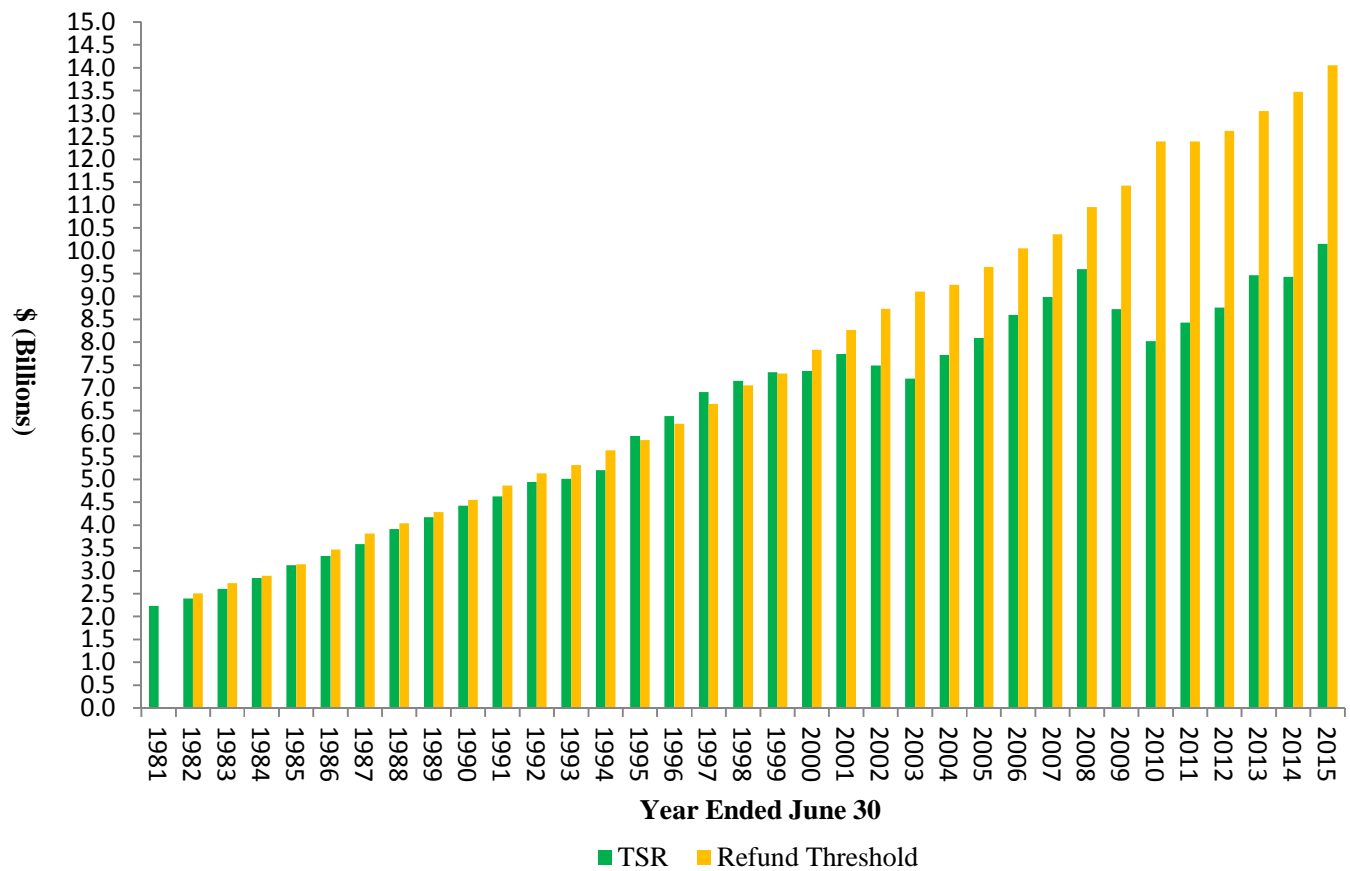


Exhibit A

Review of Article X, Sections 16 Through 24, Constitution of Missouri
Summary of Total State Revenue and Refund Calculations
(In Millions)

		Year Ended June 30,				
		2011	2012	2013	2014	2015
TOTAL STATE REVENUE (TSR)						
Total state receipts	\$	25,114.40	24,304.54	24,736.17	24,616.14	25,845.98
Less excluded revenue		(15,298.29)	(14,220.97)	(14,050.75)	(13,878.69)	(14,442.15)
Less expenditure refunds		(1,414.46)	(1,342.75)	(1,240.31)	(1,328.25)	(1,278.49)
Add refundable tax credits		22.77	14.85	17.21	19.19	24.22
TSR	\$	8,424.42	8,755.67	9,462.32	9,428.39	10,149.56
REVENUE LIMIT AND REFUND THRESHOLD						
Missouri personal income	\$	216,637.00	220,635.00	228,218.00	235,661.00	245,771.39
Base year ratio	x	0.056395	0.056395	0.056395	0.056395	0.056395
Base limit		12,217.24	12,442.71	12,870.35	13,290.10	13,860.28
Judicial article amendment		50.53	50.53	51.50	51.86	52.42
Revenue limit		12,267.77	12,493.24	12,921.85	13,341.96	13,912.70
1 percent adjustment		122.68	124.93	129.22	133.42	139.13
Refund threshold	\$	12,390.45	12,618.17	13,051.07	13,475.38	14,051.83
REFUND CALCULATION						
TSR	\$	8,424.42	8,755.67	9,462.32	9,428.39	10,149.56
Less refund threshold		12,390.45	12,618.17	13,051.07	13,475.38	14,051.83
Over (Under) Threshold		(3,966.03)	(3,862.50)	(3,588.75)	(4,046.99)	(3,902.27)
1 percent adjustment		0.00	0.00	0.00	0.00	0.00
Refund	\$	0.00	0.00	0.00	0.00	0.00

Exhibit B

Review of Article X, Sections 16 Through 24,
 Constitution of Missouri
 Schedule of Total State Revenue

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2011	2012	2013	2014	2015
1001	Sales and use tax	\$ 1,860,913,153	1,928,981,152	1,956,108,763	1,977,037,033	2,013,256,448
1003	(l) Parks sales and use tax	38,326,978	40,226,069	41,011,615	42,830,073	44,211,573
1005	(k) Soil and water sales and use tax	38,326,982	40,226,073	41,011,618	42,830,077	44,211,575
1007	General revenue reimbursements - local sales and use tax	2,009,254	1,749,610	1,710,168	1,650,259	2,749,261
1009	Motor vehicle sales tax	2,470,456	2,503,662	3,013,954	4,090,999	5,060,318
1009	(bb) Motor vehicle sales tax - Amendment 3	178,836,881	188,378,783	200,691,181	264,542,465	287,525,910
1011	(t) Conservation sales and use tax	95,818,337	100,566,000	102,532,262	107,076,440	110,528,741
1013	(f) Proposition C sales and use tax	751,790,411	789,216,003	803,929,533	841,225,588	868,206,165
1015	Sales and use taxes paid under protest	1,073,324	118,018	138,240	217,330	252,144
1022	Individual income tax	5,641,731,318	5,851,240,169	6,374,054,124	6,421,715,624	6,904,282,195
1024	Individual income taxes paid under protest	80,953	31,430	2,322	7,174	6,927
1026	Corporate income tax	455,662,447	432,582,659	469,446,717	479,242,902	525,403,403
1028	Corporate income taxes paid under protest	-	-	38,061	16,571	1,155,831
1033	County foreign insurance tax	211,060,727	191,997,525	191,390,872	202,752,455	239,393,674
1037	Worker's compensation insurance tax	12,452,781	13,245,133	14,058,446	15,700,482	17,199,724
1039	Worker's compensation insurance tax - second injury	37,800,696	41,671,672	42,328,061	54,987,065	90,502,981
1041	Excess lines of insurance tax	22,300,553	23,254,218	26,311,783	28,719,999	29,713,178
1049	Heavy beer tax	8,222,901	8,151,881	8,044,713	7,887,262	7,708,889
1053	Liquor tax	19,560,786	20,621,338	21,047,333	21,925,239	22,476,067
1055	Wine tax	5,175,458	5,568,215	5,598,899	5,947,749	6,023,763
1057	Cigarette tax	89,965,910	88,609,043	86,837,985	82,301,596	81,745,445
1059	Tobacco product tax	15,551,490	16,308,821	16,895,556	17,225,212	17,691,619
1060	Motor vehicle fuel tax	399,527,478	393,010,333	400,533,646	395,257,448	393,296,159
1060	(g) Motor vehicle fuel tax	169,467,566	166,913,857	163,022,120	164,058,506	165,022,444
1060	(bb) Motor vehicle fuel tax - Amendment 3	150,406,156	148,139,684	144,685,683	145,605,497	146,461,013
1062	Special fuel non-gas tax	370,352	270,729	262,158	258,291	566,554
1062	(bb) Special fuel non-gas tax - Amendment 3	133,520	148,356	138,610	128,033	128,680
1064	Aviation fuel tax	254,394	295,198	274,827	264,010	252,969
1070	Corporation franchise tax	81,733,747	70,171,529	56,194,216	61,314,630	32,211,295
1073	Estate tax	2,117,782	170,966	174,751	129,700	92,215
1074	(p) Bingo tax	2,157,214	2,113,377	2,000,965	1,810,599	1,770,286
1076	(q) Gaming commission gross receipts tax	341,376,377	337,316,302	329,024,116	314,364,443	320,386,965
1079	County private car tax	-	2	218	83	-
1080	Real and personal property tax	26,547,565	26,395,744	26,662,885	26,731,442	27,568,831
1082	Delinquent real and personal property tax	3,170,652	3,013,387	3,232,208	2,994,380	2,696,733
1084	Hazardous waste fees	1,417,393	1,426,033	2,671,827	2,365,426	2,321,743
1086	Miscellaneous taxes protested	-	-	-	-	536
1088	Nursing facility reimbursement allowance	14,661,394	17,009,046	18,111,951	18,329,061	18,022,997
1089	Pharmacy reimbursement allowance	92,850,277	95,230,655	95,070,564	91,412,290	87,807,243
1090	Federal reimbursement allowance	7,693,473	42,381,428	19,305,322	15,956,994	15,380,839
1093	Athletic events tax	136,650	159,800	165,508	112,214	129,711
1094	Ambulance service reimbursement allowance	-	5,252,545	8,135,233	7,956,001	7,894,871
1095	Surcharges	288,301	236,155	189,214	154,948	140,769
1097	Agency collected sales taxes	312,488	205,722	225,236	230,578	214,314
1098	Telecommunications tax	-	-	-	-	28
1099	Other taxes	12,013,430	285,249	83,390	79,512	44,349
1100	Professional licenses or permits	24,641,882	25,311,321	29,001,314	27,594,721	29,225,729
1102	Recreational licenses or permits	5,684,827	5,525,790	4,965,053	5,559,494	5,927,972
1106	Motor vehicle licenses or permits	122,777,623	121,364,737	122,181,185	124,206,058	125,787,801
1106	(bb) Motor vehicle licenses or permits - Amendment 3	54,761,828	53,890,370	54,681,388	54,180,250	54,865,114
1108	Interstate transportation licenses or permits	47,312,197	50,488,456	48,344,030	50,908,751	53,343,143
1108	(bb) Interstate transportation licenses or permits - Amendment	21,406,443	22,855,732	21,809,372	23,011,734	24,046,211
1110	Driver's licenses or permits	5,891,775	7,187,607	6,832,517	6,331,641	7,461,353
1110	(bb) Driver's licenses or permits - Amendment 3	7,631,863	8,580,448	8,248,271	7,677,449	8,692,977
1112	Land reclamation commission permits	563,010	570,035	566,245	601,738	549,999
1114	Salesman licenses or permits	629,900	618,310	740,050	802,435	841,500
1116	Vehicle and boat manufacturer and dealer licenses	891,432	877,445	866,356	869,682	875,649
1118	Liquor licenses or permits	4,963,343	4,964,474	5,035,454	5,308,776	5,122,020
1120	Gaming commission licenses	1,732,484	1,601,155	1,555,913	1,829,568	1,633,790
1124	Motor carrier licenses	3,813,345	2,553,651	2,692,836	2,791,638	2,961,695
1126	Hunting and fishing licenses and commission permits	30,206,611	31,361,102	30,653,188	31,725,219	31,788,573
1127	Hunting and fishing special tags	1,068,541	1,127,630	961,550	1,015,201	1,038,386

Exhibit B

Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Schedule of Total State Revenue

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2011	2012	2013	2014	2015
1128	Hazardous waste transporter licenses	288,314	316,891	281,665	322,289	335,378
1130	Water pollution control permits	2,755,242	4,487,263	4,226,907	4,065,386	4,715,396
1132	(bb) Overdimension/overweight permits - Amendment 3	7,716,060	8,752,113	8,452,114	9,545,940	9,277,614
1134	Merchant licenses	1,379,239	1,466,297	1,448,958	1,551,865	1,578,713
1136	Tobacco licenses	26,100	27,300	27,100	27,000	27,300
1138	Temporary licenses	225	1,100	575	375	275
1140	Duplicate plates	1,573,920	1,574,829	1,548,829	1,468,228	1,442,386
1142	Duplicate driver license	1,943,207	1,917,506	1,962,246	1,819,152	1,862,866
1149	Other licenses and permits	3,858,723	3,949,879	3,885,485	3,593,531	3,605,389
1149	(bb) Other licenses and permits - Amendment 3	969,641	1,497,535	1,259,068	1,493,436	1,743,776
1150	Lobbyist registration fees	11,400	11,020	11,130	10,920	11,000
1152	Motorboat fees	9,779,948	11,848,667	11,829,678	12,145,169	12,549,673
1154	Narcotics and dangerous drugs fees	811,020	562,899	504,880	750,873	876,520
1156	Occupational boards exam fees - individual exam fees	714,469	751,999	811,132	788,310	801,324
1160	(bb) Non-motor fuel decal fees - Amendment 3	67,474	109,476	185,168	234,285	285,643
1162	Filing fees	17,653,490	24,409,792	17,882,469	18,691,254	19,047,755
1163	Certifying/authenticating fees	141,542	37,876	45,411	130,938	11,809
1164	Transfer fees	26,420	31,088	28,608	31,108	34,040
1165	Service contract registration fee	86,950	95,200	105,100	119,000	116,100
1169	Other registration fees	10,573,548	4,477,531	10,664,905	11,090,142	11,501,235
1174	Asbestos fees	275,160	290,136	215,940	241,620	235,535
1176	Egg license fees	-	-	-	27,083	15,885
1178	Milk control fees	224,549	124,514	114,907	79,082	30,309
1180	Home health care license fees	123,300	116,050	121,800	113,825	120,200
1182	Nursing home license fees	144,174	129,945	122,011	127,806	142,069
1184	Title V emissions fees	8,294,850	7,913,341	7,300,494	7,492,099	7,081,848
1185	Emission fees/non Title V facilities	376,707	354,144	348,521	348,043	349,628
1186	Boarding home license fees	719,900	707,457	712,735	710,206	737,607
1188	Public utilities fees	19,424,369	19,494,211	19,996,899	20,118,625	19,695,636
1190	Hospital license fees	81,151	83,123	84,559	85,884	89,082
1192	Grain warehouse license fees	34,920	36,604	38,162	32,184	36,367
1194	Missouri primacy fees	4,581,461	4,723,917	4,771,139	4,520,406	4,748,831
1198	Transport load fees	11,474,813	11,302,684	11,227,662	11,239,640	11,195,303
1200	Storage tank registration fees	223,930	52,215	42,980	192,916	193,725
1202	Tourist cabin permit fees	181,740	181,022	183,095	181,910	181,401
1206	Solid waste disposal fees	11,062,761	11,307,064	10,462,793	10,576,521	10,946,036
1208	New tire fees	2,139,197	2,084,386	1,988,327	2,060,844	2,166,653
1209	Battery fee	688,745	683,152	678,421	738,351	683,452
1210	Ground water protection fees	723,147	710,064	920,000	667,969	616,030
1211	Radioactive waste transport fee	168,825	286,075	318,600	248,625	289,850
1214	Insurance regulatory fees, renewals and purchasing groups	2,720,667	2,451,999	2,105,145	2,804,144	2,435,554
1216	Air conservation commission permit fees	270,803	253,489	298,638	212,155	246,325
1218	Bingo license fees	46,815	41,730	39,580	38,010	35,085
1220	Lab fees	4,707,017	5,256,158	5,572,347	5,725,578	6,079,666
1222	Program administration fees	1,059,357	1,055,518	1,091,830	1,056,753	1,069,294
1223	Confined animal feed operation indemnity fees	1,993	2,143	2,143	4,392	-
1224	Railroad assessments	665,300	820,331	784,786	756,623	1,027,245
1227	Enhanced vehicle emission inspection fees	1,885,301	1,934,155	1,970,590	2,000,573	2,096,697
1233	Grain warehouse inspection fees	2,158,349	2,178,611	1,749,142	2,563,861	3,583,890
1235	Milk inspection fees	1,242,699	1,215,032	1,158,584	1,032,307	1,011,168
1237	Ice cream products inspection fees	32,260	36,430	32,806	35,125	33,150
1239	Mine inspection fees	63,038	80,344	64,606	67,789	61,016
1241	Mobile home and recreational vehicle inspection fees	361,545	364,287	357,436	401,934	383,477
1243	Oil inspection fees	2,424,084	2,384,809	2,360,750	2,362,714	2,344,403
1249	Other inspection fees	2,020,607	2,513,585	2,461,158	2,526,682	2,523,411
1250	Collection fees	24,645,324	26,285,623	26,739,487	28,363,897	30,805,269
1251	Bankruptcy collections	-	6,398	-	-	-
1252	Admission fees	1,221,915	1,250,114	1,320,732	1,351,851	1,366,316
1252	(q) Admission fees - riverboat gambling	54,296,354	51,348,977	48,803,064	44,870,917	44,222,953
1254	State auditor fees	254,001	182,644	185,072	171,721	171,573
1260	Grade crossing safety fees	1,285,657	1,273,362	1,305,614	1,310,711	1,325,763
1262	Loan administration fees	6,240,808	6,372,132	6,516,695	6,923,903	7,127,199
1262	(c) Loan administration fees - Fund 881	2,781	-	-	-	-

Exhibit B

Review of Article X, Sections 16 Through 24,
 Constitution of Missouri
 Schedule of Total State Revenue

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2011	2012	2013	2014	2015
1263	Contract fees	-	-	-	-	117,855
1263	(a) Contract fees - Fund 657	-	-	-	-	384
1264	Court fees	44,203,725	41,058,636	40,544,604	39,013,101	39,184,711
1266	Financial institutions examination fees	8,962,723	10,104,394	10,176,788	11,112,130	10,676,424
1268	Consumer finance license fees	1,087,800	1,044,175	999,525	956,625	963,425
1270	Transcript fees	95,754	102,947	92,683	102,687	128,674
1274	Marketing development fees	41,602	38,258	36,502	42,194	29,947
1276	Miscellaneous insurance fees	91,920	89,220	90,660	93,380	91,690
1278	Gaming commission administrative income	53	314	-	145	-
1279	(a) Lottery commission fees	273,771	277,070	301,162	298,707	301,291
1280	Motor vehicle inspection sticker fees	3,701,374	3,767,945	3,778,928	3,840,955	3,850,742
1282	Logo sign advertising fees	2,049,123	4,602,664	3,167,882	4,434,405	4,561,512
1284	Public defender fees	1,598,188	1,424,603	1,176,797	1,335,978	1,339,899
1286	Witness fees	14,068	9,141	5,758	5,561	9,212
1288	County recorders fees	6,718,174	6,750,687	7,472,773	6,460,207	6,247,774
1290	Training or conference fees	140,844	127,634	183,421	169,658	205,630
1294	Electronic monitoring fee	140,469	115,177	78,278	76,488	63,381
1295	Intervention fees	-	9,137,637	9,851,227	9,006,410	8,503,124
1298	Substance abuse offender program fees	6,288,725	6,737,998	6,291,593	5,831,337	5,402,865
1302	Criminal records check fees	9,531,901	10,333,134	10,798,720	10,027,568	11,037,517
1303	Other fees	22,636,060	12,788,351	10,700,540	10,278,791	10,976,155
1305	(h) Bond sales proceeds	74,305,145	1,867,300	-	-	167,828,087
1306	Proceeds from capital leases	-	1,486,676	-	2,592,318	5
1310	Land sales	5,051,065	4,403,124	8,422,605	5,938,834	3,444,324
1312	Sales of natural resources products	4,601,621	3,667,239	2,849,276	3,892,772	2,702,674
1314	Sales of agriculture products	2,168,597	2,391,119	2,874,050	3,239,003	2,890,674
1316	Manufactured product sales	9,873,622	8,505,830	8,827,769	7,779,143	8,418,694
1318	Information sales	2,474,349	2,500,392	2,351,654	2,537,175	2,579,080
1320	Souvenir sales	543,123	452,030	474,186	582,266	936,945
1322	Surplus property sales - state	2,423,525	3,082,652	3,704,451	2,761,141	2,921,816
1322	(z) Surplus property sales - state - Fund 710	1,523,162	1,331,787	1,414,547	1,725,866	2,003,696
1324	Surplus property sales - federal	2,150,411	2,950,034	2,989,213	2,295,451	2,059,579
1326	Unclaimed property sales	-	876	1,205	-	2,971
1328	Sales of fixed assets - control	7,876,231	10,762,095	10,727,324	7,931,754	6,972,758
1330	Vital records sales	1,205,929	1,047,539	1,149,125	1,082,840	1,010,445
1332	Lottery ticket sales	-	-	-	64	-
1332	(a) Lottery ticket sales - Fund 657	434,022,539	464,048,652	490,432,070	492,825,818	463,931,842
1334	Cafeteria sales	586,874	546,748	661,975	800,225	895,283
1338	Other sales	382,372	371,843	259,540	258,697	1,401,509
1342	Supply sales	445	143	-	31	249
1401	Land rentals/leases	5,405	17,090	31,690	64,383	38,650
1403	State facilities rentals/leases	911,961	985,555	1,486,747	1,413,722	1,504,187
1404	Parking rentals/leases	63,930	60,356	63,176	63,552	69,989
1405	Concessions and recreational rentals/leases	2,542,114	2,471,197	2,567,237	2,495,952	2,951,494
1407	Housing/building rentals/leases	393,486	237,191	255,524	218,818	260,615
1409	Other leases and rentals	1,399,403	1,385,089	736,716	1,079,948	1,458,148
1414	(e) Medicare	8,768,553	7,544,088	5,359,704	6,781,464	5,691,724
1418	(e) Medicaid	92,207,991	96,595,375	90,326,464	81,573,482	73,123,636
1419	(e) Medicaid - case managers	-	-	100	6,462	-
1420	(e) Medicaid - community based	168,504,569	193,452,249	205,718,504	214,026,223	240,617,515
1422	Private payments	5,613,049	2,067,010	1,813,703	1,862,213	4,055,811
1424	Insurance payments	808,332	714,174	327,885	445,098	510,326
1426	Other payments	5,416	11,555	28,989	9,474	12,863
1434	Institutional support fees	66,796	248,416	-	-	-
1436	Room and care	26,450,131	26,341,112	26,953,266	28,363,819	28,109,625
1442	Mail/freight services	16	-	-	8	-
1444	Telephone billing	1,010	1,330	-	-	-
1446	Printing service	155,295	197,214	195,571	197,944	158,884
1448	Computer services	1,040	846	847	79,095	288,876
1450	Administration services	-	-	12,658	36,613	38,548
1501	Private donations	3,796,587	4,836,387	5,297,073	5,600,103	7,797,052

Exhibit B

Review of Article X, Sections 16 Through 24,
 Constitution of Missouri
 Schedule of Total State Revenue

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2011	2012	2013	2014	2015
1502	Other governmental entity donations	30,000,000	30,103,121	5,000,000	4,050,000	1,050,032
1507	(e) NASAO (airport inspections)	17,400	20,150	26,000	30,550	27,950
1510	(e) US Department of Agriculture	447,130,718	487,260,888	490,290,851	485,385,631	500,917,291
1512	(e) US Department of Defense	31,454,764	29,677,895	32,995,530	30,693,698	32,534,000
1513	(e) US Department of Homeland Security	9,471,900	4,625,937	2,909,266	2,786,890	3,808,312
1514	(e) US Department of Housing and Urban Development	70,778,353	61,464,304	48,483,173	45,313,039	40,676,241
1516	(e) US Department of Interior	26,612,937	26,594,330	27,550,163	29,116,162	27,826,979
1518	(e) US Department of Justice	2,269,245	2,730,436	2,575,272	3,808,162	2,856,329
1520	(e) US Department of Labor	144,779,543	155,545,244	156,406,546	125,567,984	126,368,853
1522	(e) US Department of Education	637,105,051	660,448,985	657,586,937	651,573,896	653,328,831
1522	(c) US Department of Education - Fund 880	6,182,000	4,972,235	4,968,022	6,631,940	4,125,941
1522	(c) US Department of Education - Fund 881	103,667,608	87,420,487	93,334,531	89,823,025	72,379,643
1524	(e) US Department of Transportation	1,402,202,201	934,758,552	983,599,456	913,853,780	856,690,126
1526	(e) National Foundation for the Arts and Humanities	4,436,977	4,002,915	3,666,292	3,402,815	3,667,829
1528	(e) US Veterans Administration	50,961,946	53,316,924	61,159,036	63,243,170	69,070,475
1529	(e) US General Services Administration	-	-	43,391	50,091	36,789
1530	(e) US Environmental Protection Agency	44,310,100	91,435,790	153,021,768	89,482,740	92,295,480
1532	(e) US Department of Energy	4,450,006	2,982,042	6,005,146	10,598,978	6,869,770
1534	(e) Federal Emergency Management Agency	63,343,101	74,016,355	72,661,743	48,677,321	136,785,815
1536	(e) US Department of Health and Human Services	6,034,950,237	6,506,141,900	6,431,112,075	6,699,531,165	7,047,608,534
1538	(e) National/community services	-	1,732,313	3,677,716	2,752,733	3,659,053
1540	(e) US Social Security Administration	43,705,857	43,570,139	46,294,342	41,684,705	45,917,912
1542	(e) National Archives and Records	93,136	30,882	6,789	80,676	15,025
1544	(e) Elections Assistance Commission	5,456,068	-	24,162	-	-
1546	(e) US Department of Treasury	8,886,997	8,886,997	5,244	9,160,236	-
1548	(e) Equal Employment Opportunity Commission	-	-	-	134	-
1549	(e) Miscellaneous federal revenues	62,084,275	35,316,069	34,938,505	46,737,165	48,644,049
1551	County mental health programs	19,286,288	17,999,724	13,263,536	12,094,852	11,311,919
1557	(e) American Recovery and Reinvestment Act	1,788,700,092	475,424,794	153,213,693	83,364,036	40,937,451
1558	(e) American Recovery and Reinvestment Act - other	2,440,576	367,067	238,070	98,176	-
1560	(e) Federal pass-through grants	70,016,585	78,646,931	61,246,642	47,604,707	37,998,600
1601	Time deposits interest	2,167,040	3,614,152	3,864,773	1,759,898	1,611,893
1601	(f) Time deposits interest - Fund 688	37,851	67,544	94,686	40,548	40,894
1601	(a) Time deposits interest - Fund 657	13,258	15,067	20,393	8,630	9,615
1601	(k) Time deposits interest - Fund 614	20,915	33,456	39,420	17,658	22,182
1601	(l) Time deposits interest - Fund 613	5,753	17,005	29,258	12,552	11,456
1601	(b) Time deposits interest - Fund 905	3,691	6,853	9,488	4,274	5,275
1601	(p) Time deposits interest - Fund 289	865	1,359	1,480	452	150
1601	(q) Time deposits interest - Fund 285	10,069	17,176	20,688	9,321	8,292
1601	(d) Time deposits interest - Fund 963	527	882	1,230	512	513
1601	(t) Time deposits interest - Fund 609	17,373	34,554	56,042	25,879	28,629
1601	(c) Time deposits interest - Fund 880	19,456	23,809	36,591	22,942	27,827
1601	(c) Time deposits interest - Fund 881	23,317	40,064	51,270	12,854	9,036
1603	U.S./agency securities interest	31,640,225	25,185,835	20,360,811	21,271,757	19,236,045
1603	(f) U.S./agency securities interest - Fund 688	353,267	295,075	307,343	314,250	276,482
1603	(a) U.S./agency securities interest - Fund 657	128,797	74,052	63,503	67,509	64,305
1603	(k) U.S./agency securities interest - Fund 614	201,400	146,904	132,540	136,776	149,111
1603	(l) U.S./agency securities interest - Fund 613	50,430	72,001	91,337	97,185	77,050
1603	(b) U.S./agency securities interest - Fund 905	34,139	29,935	29,795	33,279	35,597
1603	(p) U.S./agency securities interest - Fund 289	8,338	6,305	5,809	3,521	996
1603	(q) U.S./agency securities interest - Fund 285	90,728	75,941	67,409	71,221	55,813
1603	(d) U.S./agency securities interest - Fund 963	6,917	5,879	6,115	6,256	5,880
1603	(t) U.S./agency securities interest - Fund 609	161,971	147,624	173,935	201,135	192,528
1603	(c) U.S./agency securities interest - Fund 880	193,399	107,257	109,286	180,476	187,577
1603	(c) U.S./agency securities interest - Fund 881	221,653	177,753	175,470	96,161	60,978
1605	Other investment interest	128,207	410,035	182,587	133,832	238,000
1608	Realized gains and losses	7,891	-	-	-	13,079
1608	(d) Realized gains and losses - Fund 963	273	-	-	-	-
1610	Interest on loans	3,031,747	2,545,606	3,844,323	5,963,729	12,020,643
1612	(cc) Interest - federal	-	23,802,563	22,442,061	12,442,473	4,271,580
1614	Interest on receivables	10,584	9,082	4,697	5,686	2,083
1616	Interest on settlements	9,653	2,718	295,109	393,324	24,438

Exhibit B

Review of Article X, Sections 16 Through 24,
 Constitution of Missouri
 Schedule of Total State Revenue

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2011	2012	2013	2014	2015
1618	Other interest	39,240	36,972	24,831	67,098	10,695
1618	(c) Other interest - Fund 880	4,796	-	-	-	-
1618	(t) Other interest - Fund 609	-	-	116	-	-
1620	Safety responsibility	-	-	-	-	50
1621	Penalties	6,795,157	8,788,554	16,383,711	15,026,501	17,377,448
1621	(c) Penalties - Fund 881	74	487	88	61	38
1622	Penalties - control	-	50	-	-	-
1624	Settlements	2,085,472	6,183,019	55,120,514	5,310,083	39,019,494
1624	(c) Settlements - Fund 880	-	-	-	-	582
1626	Court awards	5,803,584	1,801,074	1,266,313	12,167,031	11,122,925
1628	Insufficient funds charges	6,420	4,415	3,593	3,711	2,585
1634	Estates	588	508	218,619	247	3,950
1636	Unclaimed properties	82,406,170	81,360,731	95,900,842	92,346,642	100,888,189
1636	(a) Unclaimed properties - state - Fund 657	-	-	631	-	-
1700	(i) Salary refunds - federal	685,275	557,115	504,436	390,225	316,764
1701	(i) Salary refunds - state	15,075	15,792	5,477	7,845	8,307
1702	(i) Salary refunds - local/other	20,491	44,337	31,561	-	29
1703	(i) General relief pension refunds	2,086	3,469	4,646	1,987	1,711
1704	(i) Blind pension refunds	1,994	7,624	4,699	4,706	11,787
1706	(i) Dependent children pension refunds	443,858	424,232	262,817	254,651	166,610
1715	(i) Day care refunds	25,126	34,888	51,663	210,036	174,958
1717	(i) Medicare - Medicaid refunds	482,052,781	507,643,669	639,370,093	546,964,083	555,309,589
1719	(i) Cost in criminal cases refunds	859,303	846,638	958,828	1,055,769	1,145,795
1720	(i) American Recovery and Reinvestment Act refunds	2,027,020	901,781	988,108	902,499	3,406,265
1721	(i) Vendor refunds - federal	1,280,623	798,046	869,752	767,526	1,057,850
1722	(i) Vendor refunds - state	1,018,335	1,373,828	679,317	2,021,933	606,888
1722	(a) Vendor refunds - state - Fund 657	1,974	6,121	4,627	35,174	393
1722	(c) Vendor refunds - state - Fund 880	5	-	-	-	-
1723	(i) Vendor refunds - local/other	1,541,924	3,375,783	1,401,379	602,267	1,035,475
1723	(c) Vendor refunds - local/other - Fund 880	-	80,441	712	383	339
1724	(i) Political subdivision refunds	6,128	63	-	-	204
1725	(i) Excess court payment refunds	3,460,515	227,053	648,913	8,716	152,449
1727	(i) School refunds	10,205,891	9,909,164	9,526,783	6,710,912	3,773,819
1727	(c) School refunds - Fund 880	7,758	-	-	-	-
1728	(i) Scholarship refunds	173,655	102,782	72,950	45,031	1,737,431
1729	(i) Audit findings - federal	823	41,960	209	-	7,894
1730	(i) Audit findings - state	-	152,887	101	-	118
1731	(i) Audit findings - local/other	84,447	158,129	40,404	103,069	26,509
1732	(i) Utility refunds	37,472	27,323	3,305	101,704	112,228
1733	(i) Fuel tax refunds	245,974	219,368	4,205	203,876	184,901
1735	(i) Tax incremental financing (TIF) refund	-	2	-	974	-
1737	(i) Other refunds	3,968,580	5,253,820	3,264,579	5,434,645	3,267,783
1737	(b) Other refunds - Fund 905	-	-	-	-	176,756
1737	(c) Other refunds - Fund 880	244	1,073	6	-	-
1806	(v) Recovery costs	151,037,762	150,426,085	150,725,636	82,224,337	146,337,214
1806	(a) Recovery costs - Fund 657	-	-	-	-	6,565
1808	Deposit of surplus property funds	4,599	-	-	-	341
1811	(y) Local match	91,490,039	127,367,017	98,129,383	50,600,510	34,985,281
1812	(w) Cost reimbursements - federal	638,071	727,844	437,557	419,025	4,631,476
1813	(w) Cost reimbursements - state	79,229,099	71,087,608	46,502,004	18,340,057	16,172,695
1813	Cost reimbursements - state (included)	14,301,943	15,004,668	15,728,569	15,930,219	17,577,192
1814	(w) Cost reimbursements - local/other	191,294,541	204,205,080	187,364,955	187,174,831	170,106,348
1814	(b) Cost reimbursements - local/other - Fund 905	-	-	-	100,510	-
1814	(c) Cost reimbursements - local/other - Fund 880	-	2,890	8,615	6,630	4,461
1816	Bond account	7,368,307	8,968,358	9,214,123	8,760,097	8,693,952
1818	(u) Employee expense reimbursement - federal	-	6,030	819	1,463	6,207
1819	(u) Employee expense reimbursement - state	688	-	450	410	37,620
1820	(u) Employee expense reimbursement - local/other	3	73,000	754	-	4,033
1821	(u) Employee personal expense reimbursement	183,172	97,665	24,186	38,726	38,730
1822	(n) Outlawed checks	7,037,537	6,813,442	6,162,199	5,536,200	5,544,179
1822	(b) Outlawed checks - Fund 905	7,945	17,028	6,024	10,275	7,616

Exhibit B

Review of Article X, Sections 16 Through 24,
 Constitution of Missouri
 Schedule of Total State Revenue

Revenue Source		Year Ended June 30,				
Code	Type of Revenue	2011	2012	2013	2014	2015
1824	(x) Canceled checks	2,430,074	2,036,483	2,182,674	1,861,189	4,730,204
1824	(a) Canceled checks - Fund 657	686	-	-	-	-
1824	(b) Canceled checks - Fund 905	-	875	2,355	6,209	178
1824	(c) Canceled checks - Fund 880	-	-	950	-	-
1826	(m) Redeposit of investments principal	1,216,650	2,837,450	264,945	1,459,102	112,942
1828	(o) Redeposit of loan principal	55,411,431	61,093,018	68,996,096	69,361,487	74,454,908
1830	Telephone commissions	893,850	1,171,093	1,447,934	1,490,792	1,535,516
1832	Commission on sales	11,653	10,096	11,266	13,523	5,731
1834	Rebates	923,074	1,040,862	2,503,915	1,539,474	1,438,212
1834	(a) Rebates - Fund 657	2,243	5,979	5,334	5,114	3,981
1834	(c) Rebates - Fund 880	3,478	230	738	472	383
1834	(aa) Rebates - WIC	44,989,878	54,902,466	52,386,707	57,273,740	81,979,391
1836	Housing and maintenance receipts	47,609	28,552	18,924	20,142	19,848
1838	Loan defaults	903,996	561,905	483,363	674,897	571,590
1840	(s) Loan proceeds	20,704,819	12,938,384	9,056,992	13,212,581	8,269,645
1842	(o) Loan repayment	134,928	169,744	218,043	200,599	248,334
1842	(c) Loan repayment - Fund 880	(1,600)	2,358	-	-	-
1842	(c) Loan repayment - Fund 881	56,958,607	63,747,551	64,238,375	61,363,561	57,594,427
1843	(o) Loans receivable contra account	3,219,769	3,859,410	4,170,829	5,394,634	5,354,505
1844	Insurance proceeds	26,989	1,886	-	1,516	-
1846	Capital credits/dividends	67,873	60,241	66,172	64,039	104,066
1848	Recycling receipts	352,568	380,262	317,333	286,314	232,498
1850	Forfeitures	1,572,364	4,888,368	1,703,594	2,274,761	1,882,450
1852	Overpayments	250,613	518,149	513,751	801,638	360,921
1852	(c) Overpayments - Fund 880	765	-	-	-	-
1856	(e) Other miscellaneous receipts - federal	5,920,959	5,030,652	7,536,647	5,213,456	5,950,285
1858	Other miscellaneous receipts - state	2,317,557	2,883,176	3,954,119	3,907,352	3,977,952
1858	(a) Other miscellaneous receipts - state - Fund 657	4,865	10,541	3,438	8,330	2,291
1858	(b) Other miscellaneous receipts - state - Fund 905	12,628,615	13,780,374	13,536,541	14,686,795	14,770,311
1860	Other miscellaneous receipts - local/other	4,141,399	8,082,121	7,390,306	2,385,011	3,820,925
1860	(a) Other miscellaneous receipts - local/other - Fund 657	862,178	3,148,119	3,359,445	4,419,428	3,755,680
1860	(c) Other miscellaneous receipts - local/other - Fund 880	2,195	403	-	-	-
1862	Fees for copying public records	249,776	241,633	258,947	257,705	272,648
1862	(a) Fees for copying public records - Fund 657	55	97	56	998	-
1866	Federal share of grantee sales	310,955	179,984	234,984	243,547	450,287
1868	Receivable overpayment - federal	-	161	-	76	58
1870	Receivable overpayment - state	6,584	2,841	19	790	67
1872	Receivable overpayment - local	1,550	944	1,345	40	96
6001	(j) Supply sales	521,662	408,216	401,968	451,132	390,128
6002	(j) Open records fees	11,337	8,874	12,065	16,184	15,081
6003	(j) Fleet services operations/maintenance	1,574,218	2,149,619	2,244,601	2,115,565	2,045,630
6005	(j) Fleet services replacement	870,185	1,476,091	1,590,541	1,522,658	1,678,517
6006	(j) Criminal records check fees	392,457	326,864	373,277	317,652	456,286
6007	(j) Mail/freight services	11,506,019	10,803,757	11,230,955	10,679,698	9,761,536
6009	(j) Telephone billing	30,773,403	32,302,801	34,581,943	36,473,586	36,836,383
6011	(j) Printing service	5,682,997	6,042,427	5,457,257	5,243,375	5,275,658
6013	(j) Reimbursement/recovery cost	28,033,182	33,101,501	59,725,679	27,114,023	31,672,678
6013	(c) Reimbursement/recovery cost - Fund 881	-	-	-	-	2,242
6015	(j) Leased facility	101,160,500	104,557,774	105,027,361	106,994,424	61,542,743
6017	(j) Sale of material, supplies, and services	452,218	691,783	564,009	909,355	810,590
6019	(j) Training	438,684	340,177	537,835	554,521	624,636
6021	(j) Computer services	22,116,269	23,599,449	19,567,908	22,297,639	24,413,038
6023	(j) Administration services	548,877	396,676	772,096	850,060	522,914
6025	(j) Flight operations services	374,033	349,239	399,173	298,650	770,175
6027	(j) Sale of manufactured products	21,070,342	19,842,283	17,974,645	18,969,055	19,461,962
6029	(j) Interagency receipts	34,778,712	39,991,261	51,636,237	42,755,745	41,407,133
6029	(c) Interagency receipts - Fund 880	-	20,237	-	-	-
6029	(c) Interagency receipts - Fund 881	659,991	552,518	588,922	522,508	591,646
6030	(j) Sampling &/or analysis	797,593	597,162	515,738	841,801	926,768
6031	(r) Redeposit of state funds	68,696	69,352	58,517	19,606	112,655
6032	(j) Deposit of unclaimed property	-	-	1,225	-	-

Exhibit B

Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Schedule of Total State Revenue

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2011	2012	2013	2014	2015
6033	(j) Permits	11,479	40,995	47,185	38,426	41,669
6034	(j) Registration fees	45,642	59,342	55,048	103,377	133,015
6035	(j) Taxes	7,500,691	7,954,247	7,890,094	8,419,180	9,609,364
6036	(j) Transcript fees	15,825	19,309	8,016	8,210	26,002
	Total revenues	25,114,403,059	24,304,536,535	24,736,168,819	24,616,141,577	25,845,977,839
Fund Exclusions:						
(a)	Lottery Enterprise Fund - Fund 657	435,310,366	467,585,698	494,190,659	497,669,708	468,076,347
(b)	Alternative Care Trust Fund - Fund 905	12,674,390	13,835,065	13,584,203	14,841,342	14,995,733
(c)	Student Loan Funds - Funds 880 and 881	167,946,527	157,149,793	163,513,576	158,661,013	134,985,120
(d)	Pansy Johnson-Travis Memorial State Gardens Trust Fund - Fund 963	7,717	6,761	7,345	6,768	6,393
Revenue Source Exclusions:						
(e)	Federal funds	11,231,060,137	10,041,620,203	9,738,679,227	9,742,199,727	10,103,924,854
(f)	Proposition C sales and use tax/interest	752,181,529	789,578,622	804,331,562	841,580,386	868,523,541
(g)	Proposition A gas tax and license fee increases	169,467,566	166,913,857	163,022,120	164,058,506	165,022,444
(h)	Bond sales	74,305,145	1,867,300	-	-	167,828,087
(i)	Refunds	508,157,376	532,119,753	658,694,225	565,792,454	572,505,364
(j)	Interagency sales and receipts	268,676,325	285,059,847	320,614,856	286,974,316	248,421,906
(k)	Soil and water sales and use tax/interest	38,549,297	40,406,433	41,183,578	42,984,511	44,382,868
(l)	Parks sales and use tax/interest	38,383,161	40,315,075	41,132,210	42,939,810	44,300,079
(m)	Redeposit of investment principal	1,216,650	2,837,450	264,945	1,459,102	112,942
(n)	Outlawed checks	7,037,537	6,813,442	6,162,199	5,536,200	5,544,179
(o)	Redeposit of loan principal	58,766,128	65,122,172	73,384,968	74,956,720	80,057,747
(p)	Bingo	2,166,417	2,121,041	2,008,254	1,814,572	1,771,432
(q)	Riverboat gambling	395,773,528	388,758,396	377,915,277	359,315,902	364,674,023
(r)	Redeposit of state funds	68,696	69,352	58,517	19,606	112,655
(s)	Loan proceeds	20,704,819	12,938,384	9,056,992	13,212,581	8,269,645
(t)	Conservation sales and use tax/interest	95,997,681	100,748,178	102,762,355	107,303,454	110,749,898
(u)	State employee expense reimbursement	183,863	176,695	26,209	40,599	86,590
(v)	Recovery costs	151,037,762	150,426,085	150,725,636	82,224,337	146,337,214
(w)	Cost reimbursements	271,161,711	276,020,532	234,304,516	205,933,913	190,910,519
(x)	Canceled checks	2,430,074	2,036,483	2,182,674	1,861,189	4,730,204
(y)	Local match	91,490,039	127,367,017	98,129,383	50,600,510	34,985,281
(z)	Proceeds of surplus property sales - Fund 710	1,523,162	1,331,787	1,414,547	1,725,866	2,003,696
(aa)	DHSS program rebates	44,989,878	54,902,466	52,386,707	57,273,740	81,979,391
(bb)	Amendment 3 revenue derived from highway users	421,929,866	432,352,497	440,150,855	506,419,089	533,026,938
(cc)	Interest - federal	-	23,802,563	22,442,061	12,442,473	4,271,580
Other Exclusions and Limits:						
	CMIA interest payment to the federal government	24,499	22,013	-	-	19,999
	Agency remitted sales tax	369,085	247,169	260,481	239,471	224,953
	Abandoned funds claim payments	34,703,093	36,413,798	38,155,004	38,604,634	39,309,427
	Coding errors	-	-	-	-	(95)
	Total exclusions	15,298,294,024	14,220,965,927	14,050,745,141	13,878,692,499	14,442,150,954
	Total revenues after exclusions	9,816,109,035	10,083,570,608	10,685,423,678	10,737,449,078	11,403,826,885
	Less expenditure refunds (Exhibit C)	(1,414,459,977)	(1,342,748,745)	(1,240,311,060)	(1,328,253,309)	(1,278,493,892)
Add refundable tax credits:						
	Business Facility	2,907,965	402,578	-	-	-
	Enterprise Zone	185,922	280,469	231,246	109,188	141,943
	BUILD	7,956,937	2,316,971	5,590,472	4,610,238	3,311,820
	Missouri Quality Jobs	5,322,994	7,360,207	7,355,213	9,774,161	17,445,172
	New Enhanced Enterprise Zone	2,885,117	3,067,886	3,522,698	3,834,717	2,395,322
	Residential Dwelling Accessibility	23,186	5,266	-	-	-
	Self-employed Health Insurance	1,558,354	1,082,658	451,242	793,147	829,513
	Public Safety Officer Surviving Spouse, Residential Dwelling Assessability, and Sporting Event Credit	20,899	28,212	56,949	72,258	94,043
	Brownfield Jobs and Investment Credit	1,906,660	304,395	-	-	-
	Total State Revenue	\$ 8,424,417,092	8,755,670,505	9,462,320,438	9,428,389,478	10,149,550,806

Exhibit C

Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Schedule of Expenditure Refunds

Object Code	Description	Year Ended June 30,				
		2011	2012	2013	2014	2015
	SAM II Expenditure Refunds:					
3200	Bond refunds	\$ 3,624,472	3,381,743	3,766,775	4,037,533	4,612,996
3206	Deposit and escrow refunds	75,167	100,829	75,616	65,501	80,882
3212	Federal share grantee sales refunds	-	-	-	-	46
3213	Tax credit debt offset	159,943	424,562	211,413	99,150	65,941
3215	Debt offset refunds	10,724,197	10,184,106	9,312,765	8,811,600	10,102,444
3218	Motor vehicle license fee refunds	342,352	385,841	451,527	526,385	312,432
3221	Driver's license fee refunds	58,495	48,367	61,656	55,674	54,387
3227	License and permit fee refunds	147,645	163,468	236,183	135,557	537,491
3230	Registration fee refunds	4,341	37,308	29,217	26,604	26,142
3233	Regulatory fee refunds	16,754	59,869	15,030	12,237	22,222
3236	Inspection fee refunds	41,178	52,862	42,713	51,341	68,105
3239	Miscellaneous fee refunds	298,548	442,860	420,978	388,745	379,316
3242	Sales refunds	3,455	10,391	16,664	18,821	4,539
3245	Lease and rentals refunds	4,551	5,702	3,265	4,070	2,085
3248	Medical services refunds	6,525,413	6,331,354	6,010,508	7,406,446	10,030,985
3251	Contributions refunds	16,298,595	5,886,037	29,913	-	56,807
3254	Federal refunds	355,286	1,514,909	493,420	989,516	700,700
3257	Penalty and court award refunds	14,444	31,479	(856)	10,332	285
3260	Interagency billing refunds	-	295	1,884	-	-
3261	Receivable overpayment refunds	180,639	328,765	377,953	289,274	375,941
3267	Deferred revenue refunds	1,545,606	2,445,006	2,401,657	1,316,303	1,773,082
3268	Liability account refunds	-	-	-	3,276	-
3269	Other refunds	2,411,778	3,313,740	12,383,222	1,331,127	2,349,459
3272	Sales and use tax protested refunds	200,205	156,632	8,383	332	574,348
3281	County foreign insurance tax refunds	17,921,126	27,158,118	39,317,277	13,616,378	9,270,877
3284	County domestic insurance tax refunds	-	2,694,044	-	4,345,959	91,816
3287	Worker's compensation insurance tax refunds	2,212,394	286,762	513,702	96,395	169,765
3291	Surplus lines insurance tax refund	-	-	16,672	42,391	31,040
3293	Cigarette tax refunds	146,382	19,851	26,810	50,251	20,732
3299	Aviation fuel tax refunds	6,304	8,902	4,131	20,025	5,607
3305	Special fuel (non-gas) tax refunds	25,710,530	22,218,784	20,461,228	19,702,979	19,891,763
3308	Fuel tax refunds	10,237,237	10,042,959	7,838,108	9,112,720	10,582,920
3311	Sales tax refunds	36	104	535	-	-
3314	Food tax exemption refunds	-	-	-	179	-
3317	General sales and use tax refunds	49,875,140	28,009,782	25,564,348	44,356,280	26,712,898
3326	Motor vehicle sales tax refunds	3,110,419	3,395,473	3,658,569	4,561,344	6,193,025
3329	Motor vehicle use tax refunds	955,515	1,128,147	1,060,387	286,517	64,376
3335	Boat tax refunds	6,390	5,036	4,784	3,760	3,680
3338	Individual tax refunds	993,083,426	930,792,552	879,453,248	948,964,266	943,383,972
3341	Senior citizens tax refunds	114,887,118	117,603,638	113,962,551	110,643,361	104,810,266
3344	Corporation tax refunds	149,575,393	157,035,524	108,715,703	142,741,406	120,498,356
3347	Franchise tax refunds	2,189,789	5,214,992	1,471,893	1,826,313	2,151,688
3350	Inheritance tax refunds	172,440	8,628	-	412	-
3356	Other tax refunds	1,337,274	1,819,324	1,891,228	2,302,549	2,480,476
	Total SAM II Expenditure Refunds	\$ 1,414,459,977	1,342,748,745	1,240,311,060	1,328,253,309	1,278,493,892

Review of Article X, Sections 16 Through 24, Constitution of Missouri

Background, Methodology, and Conclusions

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5, which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment is commonly referred to as the Hancock Amendment.

The following identifies the various components of the amendment and the application of the amendment to state revenues.

Formula

Article X, Section 18(a), Missouri Constitution, establishes the revenue limit formula as follows:

$$\begin{array}{lcl} \text{Revenue limit} & & \text{Total state revenue (TSR)} \\ \text{for fiscal year} & & \text{in FY 1981} \\ \text{(FY) 20XX} = & \frac{\quad}{\text{CY 1979 Missouri}} \times & \text{The greater of MPI in the} \\ & \text{personal income (MPI)} & \text{calendar year (CY) prior} \\ & & \text{to the CY in which} \\ & & \text{appropriations are made} \\ & & \text{for FY 20XX or Average} \\ & & \text{MPI for 3 CYs preceding} \\ & & \text{FY 20XX.} \end{array}$$

The formula is composed of two principal parts. The first part of the formula, the base year ratio (BYR), is as follows:

$$\frac{\text{TSR in FY 1981}}{\text{CY 1979 MPI}}$$

The application of this ratio to the second part of the formula (future years' MPI) sets the revenue limit to ensure no greater portion of a future year's personal income will be used to fund state government than was the case at the time of passage of the amendment.

The MPI amounts used in the formula for the base year and subsequent years are reported by the U.S. Department of Commerce (DOC). The Office of Administration, Division of Budget and Planning (OA-BP) uses the MPI first officially published by the DOC after the close of the calendar year to calculate the revenue limit for the applicable fiscal year. The OA-BP does not adjust the MPI used in the BYR or the second part of the formula for subsequent adjustments to the MPI by the DOC. Article X, Section 17(2) refers to ". . . total income . . . as defined and officially reported by" the DOC. Even though the amendment does not specifically refer to such adjustments, this wording suggests the revenue limit should be recalculated each time the MPI is adjusted by the DOC. For example, the BYR would be adjusted whenever the CY 1979 MPI is adjusted by the DOC. The use of the initial reporting of MPI provides at least two benefits. First, by having a consistent and unchanging BYR, the state can more easily plan and make appropriate adjustments to stay under the revenue limit. Second, if the initial MPI is subsequently adjusted, retroactive refunds are a possibility. That is,



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an adjustment to MPI for any prior year (including the base year) could reduce the revenue limit for a prior year below that year's TSR, providing a refund where one previously was not due. Therefore, we find this approach reasonable so long as it is followed consistently.

The BYR was calculated by the OA-BP as follows (dollar amounts are in millions):

$$\frac{\$2,232.204096}{\$ 39,581.0} = .05639584891$$

In its calculations of the revenue limit, the OA-BP rounded the BYR to .056395. To determine the revenue limit for the fiscal year, this amount is multiplied by the MPI in the calendar year preceding the calendar year in which appropriations were made for the fiscal year or the average MPI for the 3 calendar years preceding the fiscal year. For the fiscal year 2015 revenue limit calculation, the OA-BP used the CY 2013 MPI that was greater than the average MPI for the preceding 3 calendar years.

Article X, Section 18(b) allows the state to exceed the revenue limit by less than 1 percent before a refund is due. Therefore, to determine the point at which the refund provision takes effect (the refund threshold) the revenue limit is adjusted upward by 1 percent. However, should TSR exceed the refund threshold, all revenues in excess of the revenue limit are subject to refund.

Article X, Section 18(e) imposes an additional revenue limit, which states the general assembly shall not increase taxes or fees in any fiscal year without voter approval that in total produce new annual revenues greater than \$50 million adjusted annually by the percentage change in the personal income of Missouri for the second previous year, or 1 percent of TSR for the second fiscal year prior to the general assembly's action, whichever is less. The OA-BP calculates the limits and monitors new legislation for tax and fee increases and decreases.

Adjustments

Article X, Section 18(d) provides that the revenue limit may be adjusted, ". . . if responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment . . . provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such a change."

The OA-BP has adjusted the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll under Section 483.245, RSMo, which was effective on July 1, 1981. In *Kelly v. Hanson*, 959



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S.W.2d 107 (Mo. Banc 1997), the Supreme Court held that this adjustment to the revenue limit is appropriate.

Composition of Total State Revenue

An integral part in applying the provisions of the amendment to state revenues is to determine what constitutes TSR. The amendment does not specify the methodology to be used to determine TSR. Consequently, procedures to calculate TSR have been established and certain decisions as to items that would be either included or excluded have been made, except for items ruled on by the Attorney General or the Missouri courts.

TSR includes all revenues recorded in the Statewide Accounting System for Missouri (SAM II) and receipted by the state treasurer, which may only be withdrawn pursuant to an appropriation or which stand appropriated by the Constitution of Missouri. Various funds not in the state treasury are not included in TSR. These funds include university local funds; local sales and use tax fund collections made by the Department of Revenue; various funds held in trust for inmates, patients, etc.; and various quasi-governmental agencies such as the Board of Public Buildings, the Housing Development Commission, the Higher Education Loan Authority, the Health and Educational Facilities Authority, and the state's retirement systems. The Hancock Amendment states the composition of TSR is, "defined in the budget message of the governor for fiscal year 1980-81." The funds described above were not addressed in the governor's budget message for that year since the funds were not in the state treasury and were not appropriated. Thus, it seems reasonable to conclude that these funds should not be included in TSR.

Excluded Funds

From the revenue amounts obtained from SAM II, certain funds are entirely excluded to arrive at TSR, as defined in Article X, Section 17(1), Missouri Constitution, as follows:

A. Lottery Enterprise Fund

In November 1984, the voters approved Article III, Section 39(b), Missouri Constitution, which authorized the creation of the Missouri State Lottery. This provision states that revenues produced from the conduct of a state lottery shall not be a part of TSR. Since the voters approved the state lottery, all revenue and expenditure refunds related to the state lottery are excluded.

B. Alternative Care Trust Fund

The Alternative Care Trust Fund was established in 1989 under Section 210.560, RSMo. The Department of Social Services uses this fund to account for funds held in trust for the benefit of children who have been placed in the legal custody of the state. The Department of Corrections, Department of Mental Health, and the Missouri Veterans Commission hold funds in trust for inmates and patients; however, these funds are not in the state treasury and are not included in TSR. Funds held in trust are not state funds since the funds remain the property of the individual. Since the Alternative Care Trust Fund does not account for state funds, it is excluded.



Review of Article X, Sections 16 Through 24,
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Background, Methodology, and Conclusions

C. Student Loan Funds	Federal legislation passed in 1997 made changes in the accounting required for federal education loans. Starting in federal fiscal year 1998, the federal government considers all monies in these funds as property of the federal government or guaranty agency. As a result, the state excludes these funds held in trust.
D. Pansy Johnson-Travis Memorial State Gardens Trust Fund	The state received an endowment in 1987 for the purpose of establishing a memorial state garden. The state is to invest the endowment for 100 years before using the funds to establish the memorial garden. Since the funds cannot be appropriated until 2087, the revenue is excluded from TSR.
Excluded Revenues	From the revenue amounts obtained from SAM II, certain types of revenues are excluded to arrive at TSR, as defined in Article X, Section 17(1), Missouri Constitution, as follows:
E. Federal Funds	Article X, Section 17, Missouri Constitution, specifically excludes federal funds.
F. Proposition C Sales and Use Tax/Interest	In November 1982, the voters approved Proposition C, which increased the state sales and use tax by 1 percent. Since Proposition C received direct voter approval as provided in Article X, Section 16, Missouri Constitution, the proceeds from the additional 1 percent sales and use tax, including any interest earned on the investment of such taxes, are excluded.
G. Proposition A Gas Tax and License Fee Increases	In April 1987, the voters approved Proposition A, which increased the motor fuel tax by 4 cents per gallon and increased the annual registration fee for certain motor vehicles, effective July 1, 1987. Since the increase in tax and fees received direct voter approval, these revenues are excluded. Also, see item BB. below.
H. Bond Sales	Attorney General Opinion 22-1982 concluded that proceeds of the state's general obligation bonds were not to be included in TSR.
I. Refunds	Refunds received due to the overpayment of obligations by the state, as identified by certain revenue source codes, are excluded. Refunds also include cost recoveries and prescription drug rebates received through the Medicaid and Children's Health Insurance programs which are excluded from TSR.
J. Interagency Sales and Receipts	Since interagency transactions do not generate additional revenue for the state as a whole, interagency sales and receipts, as identified by certain revenue source codes, are excluded.



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K. Soil and Water Sales and Use Tax/Interest and L. Parks Sales and Use Tax/Interest	In August 1984, the voters approved a one-tenth of 1 percent sales tax for soil and water conservation and state parks. Article IV, Section 47(c), Missouri Constitution, states that the additional revenue provided by the tax shall not be part of TSR. Since the voters approved the sales tax, the sales tax and any interest earned on the investment of the balance in these funds are excluded.
M. Redeposit of Investment Principal	The redeposit of investment principal is excluded.
N. Outlawed Checks	Outlawed checks, which are state checks that were not cashed by the payee within the time allowed, are redeposited in the state treasury and are excluded.
O. Redeposit of Loan Principal	Redeposits of loan principal are excluded.
P. Bingo	The August 1992 amendment to Article III, Section 39(d), Missouri Constitution, related to gaming activities also applies to bingo games, in that all state revenues derived from the conduct of gaming activities shall be appropriated beginning July 1, 1993, solely for public education and shall not be included in TSR. Section 313.007, RSMo, requires the bingo tax to be deposited in the Bingo Proceeds for Education Fund. The bingo tax, certain fees, and the interest earned on the investment of the fund are excluded from TSR.
Q. Riverboat Gambling	<p>In August 1992, the voters approved an amendment to Article III, Section 39(d), Missouri Constitution. This constitutional amendment requires that all state gaming revenues must be appropriated for public education and excludes these revenues from TSR.</p> <p>In 1993, the Missouri General Assembly enacted Senate Bills 10 and 11. This comprehensive gaming legislation established riverboat gaming in the state. This law repealed House Bill 149 related to riverboat gaming, which had been enacted by voters as Proposition A in November 1992.</p> <p>Under Senate Bills 10 and 11, the legislature imposed a 20 percent tax on adjusted gross receipts from gambling games. In November 2008, the voters approved increasing the tax to 21 percent. The state treats 90 percent of this revenue as state gaming revenues under Article III, Section 39(d), Missouri Constitution, and earmarks the revenues to the Gaming Proceeds for Education Fund. The remaining 10 percent of this revenue is allocated to the home dock city or county. Under Article III, Section 39(d), Missouri Constitution, the 90 percent portion of the adjusted gross receipts tax is exempted from TSR. The remaining 10 percent portion of the adjusted gross receipts tax is also excluded from TSR because these funds are distributed</p>



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by the Department of Revenue without deposit in the state treasury and without appropriation.

Under Senate Bills 10 and 11, the legislature also established a Gaming Commission Fund in the state treasury and authorized gaming commission license fees, penalties, administrative fees, reimbursements, and admission fees to be deposited in this fund and expended pursuant to state appropriation for various purposes.

On November 24, 1998, the Missouri Court of Appeals, Western District, entered its final decision in *Kelly v. Hanson*, 984 S.W. 2d 540 (Mo. App. W.D. 1998). The Missouri Court of Appeals, Western District, held that revenue from the \$1 portion of the state-imposed \$2 admission fee payable to the state is excluded from TSR, while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs is included in TSR. The remaining \$1 portion of the \$2 admission fee is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

R. Redeposit of State Funds

The redeposit of state funds for which a state expenditure was originally incurred, such as from closing a petty cash fund and returning the funds to the state treasury, is excluded.

S. Loan Proceeds

The state receives loans or advancements from the federal government, local governments, or private sources, to finance the acceleration of state projects. Since the loans must be repaid in the future, they are excluded.

T. Conservation Sales and Use
Tax/Interest

In *Conservation Federation of Missouri v. Richard Hanson*, 994 S.W. 2d 27 (Mo. Banc. 1999), the Supreme Court held that the revenue derived from the one-eighth of 1 percent conservation sales tax, and any interest earned on the investment of these funds, are excluded.

U. State Employee Expense
Reimbursement

The state receives reimbursement from private individuals, firms, partnerships, corporations, etc., for state employee expenses incurred in providing testimony in a court of law, for which the employee has already been reimbursed by a state expense account. These reimbursements are excluded.

V. Recovery Costs

Monies received from others for costs incurred by the state or to be incurred by the state are excluded. Also, see item W. below.

W. Cost Reimbursements

Monies received from other governments for reimbursements of costs incurred by the state are excluded.



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Regarding items V. and W., the state has excluded from TSR receipts for cost reimbursements since fiscal year 1982 and receipts for recovery costs since fiscal year 1988. Although the constitution does not specifically mention cost reimbursements and recovery costs and they have not been the subject of a court decision, we have agreed with such exclusions because from an accounting standpoint, they would not be considered revenue.

X. Canceled Checks

Receipts derived from the redeposit of state checks that have been canceled are excluded.

Y. Local Match

Local governments provided funds to the state to use as a local match to qualify for federal or state funding. Since these local match funds are not state funds, they are excluded.

Z. Proceeds of Surplus Property Sales

The proceeds from some sales of surplus property are initially deposited into the Proceeds of Surplus Property Sales Fund then disbursed from this fund to the state fund that owned the property. To avoid counting the same receipts in TSR twice, the state excludes amounts disbursed from the Proceeds of Surplus Property Sales Fund to other state funds.

AA. DHSS Program Rebates

The Department of Health and Senior Services (DHSS) receives rebates through various federal programs, including the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the HIV Care Formula Grants.

BB. Amendment 3 Revenue Derived From Highway Users

In November 2004, the voters approved an amendment to Article IV, Sections 29 and 30(a) through 30(c) and added Section 30(d), Missouri Constitution, effective July 1, 2005.

Section 30(a)(4) provides for the apportionment and distribution of net proceeds of motor fuel tax. This section further provides that, "The net proceeds of fuel taxes apportioned, distributed and deposited under this section to the state road fund, counties, cities, towns and villages shall not be included within the definition of 'total state revenues'"

Section 30(b) provides for the use and distribution of revenue derived from highway users as an incident to their use or right to use the highways of the state (including all state license fees and taxes on motor vehicles, trailers and motor vehicle fuels and excepting sales tax on motor vehicles and trailers which are not distributed to the state road fund). This section further provides that, "The moneys apportioned or distributed under this section to the state road fund, the state transportation fund, the state road bond fund, counties, cities, towns or villages shall not be included within the definition of 'total state revenues'"



Review of Article X, Sections 16 Through 24,
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As a result, motor vehicle sales tax and special fuel non-gas tax, and fees from motor vehicle licenses or permits, interstate transportation licenses or permits, driver's licenses or permits, overdimension/overweight permits, other licenses and permits, and non-motor fuel decals credited to the State Road Fund, State Road Bond Fund, and/or State Transportation Fund are excluded from TSR.

The increase in interstate transportation license or permits for certain motor vehicles excluded under this section were previously excluded and, as a result, have no impact on TSR. (See item G. above.)

Sections 29, 30(c), and 30(d) have no Hancock implications.

CC. Interest - Federal

Interest assessed and received on advances made to the state by the federal government. Since the interest is due to the federal government, it is excluded from TSR.

Other Exclusions and
Limits

Other exclusions and limits have been considered to arrive at TSR, as follows:

Cash Management Improvement
Act

The state has to enter into an agreement with the federal government that governs the timing of when the state can obtain federal grant monies. If the state holds federal funds longer than needed, the state has to reimburse the federal government for interest earnings. Since the interest was earned on federal funds and has to be returned to the federal government, it is excluded from TSR.

Agency Remitted Sales Tax

Some state agencies sell goods or services to the public and collect sales tax. To avoid counting the same receipts in TSR twice, the sales tax remitted by state agencies to the Department of Revenue is excluded from TSR.

Abandoned Funds Claim
Payments

Under Section 447.543, RSMo, the state receives abandoned funds from various sources (banks, businesses, insurance companies, etc.). These funds are placed in the state Abandoned Fund Account. The rightful owner may receive these funds if properly claimed. The state includes the receipts in TSR. Starting in fiscal year 1998, the state excludes from TSR amounts paid to the rightful owner.

Expenditure Refunds

Under Article X, Section 17(1), Missouri Constitution, TSR shall exclude the amount of any credits based on actual tax liabilities. Refunds disbursed due to the excess collection by the state of liabilities owed the state, largely tax refunds, as identified by certain expenditure object codes are excluded. The method used to determine expenditure refunds is not specified in the amendment. Although the OA-BP initially used the appropriation basis to determine expenditures refunds, during fiscal year 1984, the OA-BP changed to the cash basis. In *Kelly v. Hanson*, 959 S.W.2d 107 (Mo. Banc



Review of Article X, Sections 16 Through 24,
Constitution of Missouri
Background, Methodology, and Conclusions

Tobacco Master Settlement
Agreement Proceeds

1997), the Supreme Court held that a cash basis of accounting should be used to determine compliance with the Hancock Amendment.

The OA-BP has excluded \$132,261,643 received from tobacco companies during fiscal year 2015. The Master Settlement Agreement was entered into effective November 23, 1998, between the major cigarette manufacturers and the states' Attorney Generals. Missouri received its first payments under the settlement agreement during fiscal year 2001 and future payments from tobacco companies extend in perpetuity. The payment received in 2001 included amounts under the settlement agreement for 1998, 2000, and 2001. The settlement agreement did not require a payment for 1999. Payments for fiscal years 2001 through 2015 were as follows:

Fiscal Year	Amount
2001	\$ 338,230,653
2002	172,679,543
2003	166,895,179
2004	142,829,966
2005	144,964,644
2006	133,078,222
2007	139,292,616
2008	153,277,453
2009	168,066,958
2010	140,318,927
2011	132,631,552
2012	135,246,224
2013	135,166,246
2014	66,085,418
2015	132,261,643

The amounts received were coded in the state's accounting system to revenue source code 1806 - recovery costs, which is excluded from TSR. Recovery costs are defined under revenue source code 1806 as, "*all money recovered from others for costs incurred by the state or to be incurred by the state.*" The OA-BP believes these receipts should be excluded from TSR because the amounts represent a recovery of health care costs previously incurred or to be incurred by the state attributable to smoking.

Public information was not readily available to determine if the amounts recovered from the tobacco companies under the master settlement agreement were more or less than the health care costs incurred. For our fiscal year 2001 report, we reviewed three extensive research projects conducted by experts. We limited our analysis to Medicaid costs incurred in fiscal years 1998 through 2001. We did not consider Medicaid costs prior to fiscal year 1998. In addition, we did not consider other costs incurred by the state, such as employee health care costs attributable to smoking. These



Review of Article X, Sections 16 Through 24,
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Background, Methodology, and Conclusions

three research projects showed that Medicaid costs attributable to smoking were higher than the amount the state received from the tobacco companies under the settlement agreement. As a result, in our 2001 report we concluded it was proper for the OA-BP to exclude the amounts received from the tobacco companies as a recovery cost.

A study, "Tobacco Damages to the State of Missouri" by Glenn W. Harrison, was commissioned by the Missouri Attorney General's Office for use in a lawsuit against tobacco companies filed May 12, 1997. This lawsuit was dropped because Missouri joined a consortium of states in December 1998, in the Master Settlement Agreement with the tobacco companies. As a result, the Harrison study was not fully completed. However, the draft report provided an estimate of Medicaid costs attributable to smoking for 1970 through 2007 and an estimate of state employee health care costs attributable to smoking for 1970 through 1997. This study estimates that state costs attributable to smoking were higher than the amount the state received. OA officials could not locate any current studies, but they believe continued exclusion is reasonable.

Federal Reimbursement
Allowance and Nursing Facility
Reimbursement Allowance

The Federal Reimbursement Allowance and the Nursing Facility Reimbursement Allowance tax imposed by the state to pay the state's share of the costs of the Medicaid program when collected by an offset against Medicaid claims, is not directly deposited in the state treasury. As a result, this revenue is not included in TSR.

Conclusions

Exhibit A presents a summary of the calculations of limited TSR for the years ended June 30, 2015, 2014, 2013, 2012, and 2011. The results of our review determined for the year ended June 30, 2015, TSR was approximately \$3.9 billion under the refund threshold. As a result, no refund is due for the year ended June 30, 2015.

For fiscal year 2015, the OA-BP calculated the tax and fee increase limits at \$115.7 million for the Missouri Personal Income amount and \$94.6 million for the 1 percent of TSR amount. For fiscal year 2015, the OA-BP determined that as a result of legislative actions net taxes and fees decreased by a total of \$20.8 million. As a result, the state complied with Article X, Section 18(e).

Review of Article X, Sections 16 Through 24, Constitution of Missouri Appendix

Article X, Sections 16 through 24, Constitution of Missouri (Adopted November 4, 1980, Amended April 2, 1996*)

TAXATION

Section 16. Taxes and state spending to be limited--state to support certain local activities--emergency spending and bond payments to be authorized. Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval as provided by this constitution. The state is prohibited from requiring any new or expanded activities by counties and other political subdivisions without full state financing, or from shifting the tax burden to counties and other political subdivisions. A provision for emergency conditions is established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in sections 17 through 24, inclusive of this article.

Section 17. Definitions. As used in sections 16 through 24 of Article X:

- (1) **"Total state revenues"** includes all general and special revenues, license and fees, excluding federal funds, as defined in the budget message of the governor for fiscal year 1980-1981. Total state revenues shall exclude the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments, but shall include the amount of any credits not related to actual tax liabilities.
- (2) **"Personal income of Missouri"** is the total income received by persons in Missouri from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency.
- (3) **"General price level"** means the Consumer Price Index for All Urban Consumers for the United States, or its successor publications, as defined and officially reported by the United States Department of Labor, or its successor agency.

Section 18. Limitation on taxes which may be imposed by general assembly--exclusions--refund of excess revenue--adjustments authorized.

- (a). There is hereby established a limit on the total amount of taxes which may be imposed by the general assembly in any fiscal year on the taxpayers of this state. Effective with fiscal year 1981-1982, and for each fiscal year thereafter, the general assembly shall not impose taxes of any kind which, together with all other revenues of the state, federal funds excluded, exceed the revenue limit established in this section. The revenue limit shall be calculated for each fiscal year and shall be equal to the product of the ratio of total state revenues in fiscal year 1980-1981 divided by the personal income of Missouri in calendar year 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made, or



Review of Article X, Sections 16 Through 24,
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the average of personal income of Missouri in the previous three calendar years, whichever is greater.

(b). For any fiscal year in the event that total state revenues exceed the revenue limit established in this section by one percent or more, the excess revenues shall be refunded pro rata based on the liability reported on the Missouri state income tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than one percent, this excess shall be transferred to the general revenue fund.

(c). The revenue limitation established in this section shall not apply to taxes imposed for the payment of principal and interest on bonds, approved by the voters and authorized under the provisions of this constitution.

(d). If responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment, the state revenue and spending limits may be adjusted to accommodate such change, provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such change.

(e). Voter approval required for taxes or fees, when, exceptions--definitions--compliance procedure, remedies.

1. In addition to the revenue limit imposed by section 18 of this article, the general assembly in any fiscal year shall not increase taxes or fees without voter approval that in total produce new annual revenues greater than either fifty million dollars adjusted annually by the percentage change in the personal income of Missouri for the second previous fiscal year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. In the event that an individual or series of tax or fee increases exceed the ceiling established in this subsection, the taxes or fees shall be submitted by the general assembly to a public vote starting with the largest increase in the given year, and including all increases in descending order, until the aggregate of the remaining increases and decreases is less than the ceiling provided in this subsection.

2. The term "new annual revenues" means the net increase in annual revenues produced by the total of all tax or fee increases enacted by the general assembly in a fiscal year, less applicable refunds and less all contemporaneously occurring tax or fee reductions in that same fiscal year, and shall not include interest earnings on the proceeds of the tax or fee increase. For purposes of this calculation, "enacted by the general assembly" shall include any and all bills that are truly agreed to and finally passed within that fiscal year, except bills vetoed by the governor and not overridden by the general assembly. Each individual tax or fee increase



Review of Article X, Sections 16 Through 24,
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shall be measured by the estimated new annual revenues collected during the first fiscal year that it is fully effective. The term "increase taxes or fees" means any law or laws passed by the general assembly after May 2, 1996, that increase the rate of an existing tax or fee, impose a new tax or fee, or broaden the scope of a tax or fee to include additional class of property, activity, or income, but shall not include the extension of an existing tax or fee which was set to expire.

3. In the event of an emergency, the general assembly may increase taxes, licenses or fees for one year beyond the limit in this subsection under the same procedure specified in section 19 of this article.

4. Compliance with the limit in this section shall be measured by calculating the aggregate actual new annual revenues produced in the first fiscal year that each individual tax or fee change is fully effective.

5. Any taxpayer or statewide elected official may bring an action under the provisions of section 23 of this article to enforce compliance with the provisions of this section. The Missouri supreme court shall have original jurisdiction to hear any challenge brought by any statewide elected official to enforce this section. In such enforcement actions, the court shall invalidate the taxes and fees which should have received a public vote as defined in subsection 1 of this section. The court shall order remedies of the amount of revenue collected in excess of the limit in this subsection as the court finds appropriate in order to allow such excess amounts to be refunded or to reduce taxes and/or fees in the future to offset the excess monies collected.

Section 19. Limits may be exceeded, when, how. The revenue limit of section 18 of this article may be exceeded only if all of the following conditions are met: (1) The governor requests the general assembly to declare an emergency; (2) the request is specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; and (3) the general assembly thereafter declares an emergency in accordance with the specifics of the governor's request by a majority vote for fiscal year 1981-1982, thereafter a two-thirds vote of the members elected to and serving in each house. The emergency must be declared in accordance with this section prior to incurring any of the expenses which constitute the emergency request. The revenue limit may be exceeded only during the fiscal year for which the emergency is declared. In no event shall any part of the amount representing a refund under section 18 of this article be the subject of an emergency request.

Section 20. Limitation on state expenses. No expenses of state government shall be incurred in any fiscal year which exceed the sum of the



Review of Article X, Sections 16 Through 24,
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revenue limit established in sections 18 and 19 of this article plus federal funds and any surplus from a previous fiscal year.

Section 21. State support to local governments not to be reduced, additional activities and services not to be imposed without full state funding. The state is hereby prohibited from reducing the state financed proportion of the costs of any existing activity or service required of counties and other political subdivisions. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the general assembly or any state agency of counties or other political subdivision, unless a state appropriation is made and disbursed to pay the county or other political subdivision for any increased costs.

Section 22. Political subdivisions to receive voter approval for increases in taxes and fees--rollbacks may be required--limitation not applicable to taxes for bonds.

(a). Counties and other political subdivisions are hereby prohibited from levying any tax, license or fees, not authorized by law, charter or self-enforcing provisions of the constitution when this section is adopted or from increasing the current levy of an existing tax, license or fees, above that current levy authorized by law or charter when this section is adopted without the approval of the required majority of the qualified voters of that county or other political subdivision voting thereon. If the definition of the base of an existing tax, license or fees, is broadened, the maximum authorized current levy of taxation on the new base in each county or other political subdivision shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each county or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.

(b). The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this section.

Section 23. Taxpayers may bring actions for interpretations of limitations. Notwithstanding other provisions of this constitution or other law, any taxpayer of the state, county or other political subdivision shall have standing to bring suit in a circuit court of proper venue and



Review of Article X, Sections 16 Through 24,
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additionally, when the state is involved, in the Missouri supreme court, to enforce the provisions of sections 16 through 22, inclusive, of this article and, if the suit is sustained, shall receive from the applicable unit of government his costs, including reasonable attorneys' fees incurred in maintaining such suit.

Section 24. Voter approval requirements not exclusive--self-enforceability.

(a). The provisions for voter approval contained in sections 16 through 23, inclusive, of this article do not abrogate and are in addition to other provisions of the constitution requiring voter approval to incur bonded indebtedness and to authorize certain taxes.

(b). The provisions contained in sections 16 through 23, inclusive, of this article are self-enforcing; provided, however, that the general assembly may enact laws implementing such provisions which are not inconsistent with the purposes of said sections.

* The 1996 amendment added Section 18(e).



Nicole Galloway, CPA
Missouri State Auditor

Monthly Report on Municipal Court and Revenue Filings

March 2016



April 2016
Report No. 2016-023

<http://auditor.mo.gov>

Monthly Report on Municipal Court and Revenue Filings

March 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this compilation is to report the filing status for the cities, towns, and villages with a September 30, 2015, fiscal year end, that were required to file a financial report by March 31, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030, and, when applicable, a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180. The filing status for these 65 cities, towns, and villages is presented in summary on page 3 and by individual entity in Appendix A. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them.

Section 479.362, RSMo, provides that the State Auditor's Office (SAO) notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the provisions of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, and will not be transmitting any information related to the addendum under Section 479.359, RSMo, to the Department of Revenue.

This report also includes the updated filing status for those cities, towns, and villages with fiscal year ends between March 31, 2015, and August 31, 2015, that filed at least one of the items (financial report, addendum, or certification) in March 2016, after the filing deadline. The filing status for these 70 cities, towns, and villages is presented in summary on page 3 and by individual entity in Appendix B and Appendix C.

Nicole R. Galloway, CPA
State Auditor

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Monthly Report on Municipal Court and Revenue Filings

March 2016

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359.1, RSMo, effective August 28, 2015, requires every county, city, town, and village to annually calculate the percentage of its annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations.

Section 479.359.3 provides that all municipalities file an addendum to the annual financial report containing (1) annual general operating revenue; (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations; and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the provisions of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, but has identified entities filing addendums.

Section 479.360, RSMo, effective August 28, 2015, requires every county, city, town, and village that operates a municipal court to file with its annual financial report a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. 15 CSR 40-3.180 provides the procedure to file the municipal court certification. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

This report includes the filing status for the 65 cities, towns, and villages with a fiscal year end of September 30, 2015, whose financial reports or certifications were due by March 31, 2016. Of the 65 entities, 41 filed an annual financial report and 36 entities filed an addendum. A municipal court certification was filed by 33 entities and 16 entities with a municipal court judge did not file a certification. No counties had to file within the reporting period of this report.

This report also includes the filing status for 70 cities, towns, and villages with fiscal year ends between March 31, 2015, and August 31, 2015, that filed at least one of the items (financial report, addendum, or certification) in March 2016. Of these entities, 13 filed an annual financial report, 51 filed an addendum, and 22 filed a municipal court certification.

Appendix A

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due March 31, 2016

Fiscal Year Ended September 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Advance	Yes	Yes	Yes
City of Anderson	Yes	Yes	Yes
City of Appleton City	Yes	Yes	n/a
City of Atlanta	No	—	n/a
City of Blue Springs	Yes	Yes	Yes
City of Bonne Terre	No	—	No
City of Bowling Green	Yes	Yes	Yes
City of Branson West	No	—	No
City of Brookfield	No	Yes	n/a
City of Buckner	No	—	No
City of Buffalo	Yes	—	No
City of Camdenton	Yes	Yes	Yes
City of Cameron	Yes	Yes	Yes
City of Clayton	Yes	Yes	Yes
City of Clinton	Yes	Yes	Yes
City of Columbia	Yes	Yes	Yes
City of Cool Valley	No	—	n/a
City of Dixon	No	—	No
City of El Dorado Springs	Yes	Yes	Yes
City of Excelsior Springs	Yes	—	No
City of Exeter	No	—	No
City of Farber	Yes	—	Yes
City of Farmington	Yes	Yes	Yes
City of Festus	No	—	No
City of Fredericktown	No	Yes	Yes
City of Gainesville	No	—	n/a
City of Grandview	Yes	Yes	Yes
City of Greendale	Yes	Yes	Yes
City of Higginsville	Yes	—	No
City of Hunnewell	Yes	—	n/a
City of Lake Lafayette	No	—	n/a
City of Marshall	Yes	—	No
City of Maryville	Yes	Yes	Yes
City of Mexico	Yes	Yes	Yes
City of Monroe City	Yes	—	n/a
City of Montrose	Yes	Yes	n/a
City of Neosho	Yes	Yes	Yes
City of Normandy	Yes	Yes	Yes
City of North Kansas City	Yes	Yes	Yes
City of Odessa	No	—	No

Appendix A
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due March 31, 2016

Fiscal Year Ended September 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Osceola	Yes	–	Yes
City of Pagedale	Yes	Yes	Yes
City of Park Hills	No	–	No
City of Peculiar	Yes	–	No
City of Platte Woods	Yes	Yes	Yes
City of Purdin	Yes	–	n/a
City of Richmond	Yes	Yes	Yes
City of Rolla	No	Yes	Yes
City of Savannah	Yes	–	n/a
City of St. Mary	Yes	Yes	Yes
City of St. Peters	Yes	Yes	Yes
City of Ste. Genevieve	Yes	Yes	Yes
City of Stockton	Yes	Yes	n/a
City of Strafford	Yes	Yes	Yes
City of Sugar Creek	No	–	No
City of Sullivan	No	Yes	Yes
City of Theodosia	No	–	n/a
City of Tipton	Yes	Yes	Yes
City of Ulrich	No	–	n/a
City of Warrensburg	No	–	No
City of Washington	Yes	Yes	Yes
City of Weldon Spring	No	–	No
City of Windsor	No	Yes	n/a
Village of Duquesne	No	Yes	Yes
Village of Oakwood	No	–	n/a
Total Filed	41	36	33
Total Not Filed	24	–	16
Total N/A			16

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision, pending the outcome of the appeal.

n/a Entities without a municipal judge are not required to file a certification.

Appendix B

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due February 29, 2016

Filed in March 2016

Fiscal Year Ended August 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Memphis	Yes	—	n/a
City of Miner	**	**	Yes
Total Filed	1	0	1

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision, pending the outcome of the appeal.

** Filed by February 29, 2016.

n/a Entities without a municipal judge are not required to file a certification.

Appendix C
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in March 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*^	Filed Certification^
Fiscal Year Ended March 31, 2015			
City of Centralia	** ²	Yes	n/a
City of Iberia	** ²	** ^{1,2}	Yes
City of Leadwood	No	Yes	No
City of Monett	** ²	Yes	Yes
City of Norborne	No	Yes	n/a
Village of Sycamore Hills	** ²	** ^{1,2}	Yes
Fiscal Year Ended April 30, 2015			
City of Ashland	**	** ¹	Yes
City of Hornersville	** ²	Yes	No
City of La Belle	**	Yes	n/a
City of La Grange	**	Yes	Yes
City of Princeton	** ²	Yes	n/a
Village of Truxton	**	Yes	n/a
Fiscal Year Ended May 31, 2015			
City of La Monte	**	Yes	Yes
City of Ravenwood	** ²	Yes	n/a
Village of Centertown	No	Yes	n/a
Fiscal Year Ended June 30, 2015			
City of Adrian	**	Yes	n/a
City of Alexandria	** ²	Yes	n/a
City of Amsterdam	** ²	Yes	n/a
City of Barnard	No	Yes	n/a
City of Battlefield	**	** ¹	Yes
City of Bernie	Yes	Yes	Yes
City of Bloomfield	***	*** ¹	Yes
City of Braymer	**	Yes	Yes
City of Breckenridge	No	Yes	n/a
City of Bunker	Yes	—	n/a
City of Clarence	***	Yes	Yes
City of Clarksburg	** ²	** ^{1,2}	Yes
City of Clarksville	***	Yes	n/a
City of Clever	***	*** ¹	Yes
City of Cowgill	** ²	Yes	n/a
City of Crane	Yes	Yes	Yes
City of Creighton	**	Yes	n/a
City of Crocker	***	*** ¹	Yes
City of Doolittle	Yes	—	n/a
City of Freeman	Yes	Yes	n/a
City of Galt	No	Yes	n/a
City of Harris	***	Yes	n/a
City of Hayti Heights	** ²	Yes	No
City of Herculaneum	Yes	***	***

Appendix C
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in March 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*^	Filed Certification^
City of Huntsville	***	Yes	Yes
City of Ironton	Yes	Yes	n/a
City of Kennett	**	Yes	***
City of King City	***	Yes	Yes
City of Koshkonong	**	Yes	n/a
City of La Russell	***	***	Yes
City of Lake Annette	No	Yes	n/a
City of Lamar	***	*** ¹	Yes
City of Lilbourn	No	Yes	No
City of Neck City	**	Yes	n/a
City of Novinger	No	Yes	n/a
City of Rockaway Beach	No	Yes	No
City of Steelville	Yes	***	n/a
City of University City	Yes	Yes	Yes
City of Wellston	**	** ¹	Yes
City of Wheatland	Yes	Yes	n/a
Village of Bull Creek	***	Yes	n/a
Village of Dennis Acres	** ²	Yes	n/a
Village of Diggins	**	Yes	n/a
Village of Kingdom City	**	Yes	n/a
Village of Livonia	Yes	Yes	n/a
Village of Merwin	***	Yes	n/a
Village of Monticello	Yes	—	n/a
Village of Oak Ridge	**	Yes	n/a
Village of Pollock	No	Yes	n/a
Village of Rutledge	** ²	Yes	n/a
Village of Saginaw	**	Yes	n/a
Village of Vandiver	** ²	Yes	n/a
Village of Whitewater	No	Yes	n/a
Total Filed	12	51	21

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision, pending the outcome of the appeal.

^ 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the SAO addendum and certification forms by cities, towns, or villages with a fiscal year end before August 28, 2015.

** Filed by December 31, 2015

*** Filed after December 31, 2015, but before March 1, 2016.

1 The percent was calculated and presented in the financial report or separate document (not the SAO addendum form) or the entity indicated no court revenues were received.

2 Filed before August 28, 2015.

n/a Entities without a municipal judge are not required to file a certification.



Nicole Galloway, CPA
Missouri State Auditor

Ozark County



May 2016

Report No. 2016-024

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Ozark County

Sheriff's Controls and Procedures	<p>The Sheriff has not adequately segregated accounting duties and does not perform a supervisory review of accounting and bank records. One employee is responsible for receipting, recording, depositing and disbursing funds, increasing the risk of loss, theft or misuse without sufficient oversight. Additionally, office personnel do not issue receipt slips for some payments, deposit money for phone card sales timely, or adequately secure money until it is deposited or transmitted. Employees not authorized to sign checks have access to the sheriff's signature stamp and blank checks, and the sheriff lacks sufficient procedures to ensure payments are collected from other counties that board prisoners in the Ozark County jail. The sheriff also has not entered into written agreements with those counties that board prisoners, as required by law.</p>
Property Tax System and County Collector's Controls and Procedures	<p>The county clerk does not maintain records summarizing property tax charges, transactions and changes. Additionally, the county commission failed to adequately review and approve a recent annual settlement prepared by the county collector. Auditors identified a negative cash total in one cash drawer, and the county collector lacked documentation to explain the negative total. Auditors determined money had been refunded in cash to a taxpayer for an overpayment made via money order. The county collector's failure to reconcile receipts to the composition of deposits (cash, check, or money order) increased the risk of loss, theft or misuse of funds.</p>
Prosecuting Attorney's Controls and Procedures	<p>The prosecuting attorney does not perform a documented supervisory review of accounting records maintained by the one employee in his office who receipts, records and transmits payments and fees. The office also does not keep a detailed record of money collected, and receipt slips are not issued for monies received. The prosecuting attorney's office lacks procedures to ensure money is properly transmitted when payments are made by defendants for bad checks. Auditors reviewed records kept by the county treasurer reflecting money received from the prosecuting attorney's office, but they were unable to trace a number of transactions. The prosecuting attorney's office does not have adequate procedures to monitor and collect payment on bad checks.</p>
Payroll Controls and Procedures	<p>Payroll controls and procedures affecting county employees in a number of offices need improvement. As noted in two previous audits, the county clerk does not maintain centralized leave records for employees of the sheriff's department, which maintains its own records. Without centralized records, the county commission cannot ensure leave usage and balances are accurate and that county practices comply with federal law. The sheriff's department did not follow county policy when calculating compensatory time in a number of situations and the county policy fails to address the use of unearned leave. Employees prepare and submit timesheets approximately one week in advance of the payroll distribution, and some timesheets inaccurately reflect employees' scheduled hours rather than actual hours worked.</p>

Disbursements	The county commission failed to retain documentation of bids for health insurance, for which counties must seek competitive bids at least every 3 years. The county commission also did not solicit bids for property and liability insurance or bulk fuel purchases, in violation of state law. The sheriff's office spent \$7,602 in 2014 from its revolving fund on expenses of which two-thirds should have been allocated to other funds due to restrictions on revolving fund purchases.
Electronic Data Security	Numerous county offices lack sufficient password controls over computers, increasing the risk of unauthorized access to data. Employees in a number of offices do not have to change their passwords periodically or have a minimum number of characters in the passwords. Some officials and employees in the county clerk's office share user identification and password information for certain computers. The sheriff and public administrator do not store backup data at an off-site location, and the county commission does not back up its computer data. A number of county offices also do not require computers to lock after a certain period of inactivity or have security controls in place to lock a computer after a specified number of incorrect logon attempts.
Recycling Center's Controls and Procedures	The county's recycling center does not issue receipt slips for money received or record receipts in a ledger, preventing auditors from determining whether all money received was transmitted to the county treasurer. The center also does not restrictively endorse checks or record amounts withheld from transactions for use in a change fund.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Ozark County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Ozark County

We have audited certain operations of Ozark County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, was engaged to audit the financial statements of Ozark County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

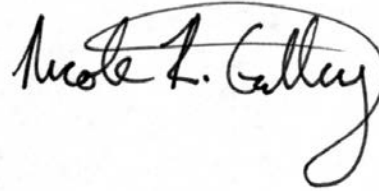
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Ozark County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly distinguishable. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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In-Charge Auditor:	Connie James
Audit Staff:	Lavonda K. Murray, M.Acct.
	Terese Summers, MSAS, CPA
	Emily Warren

Ozark County

Management Advisory Report

State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's department need improvement. The Sheriff's department collected monies for civil fees, concealed carry weapon (CCW) permits, bonds, jail phone commissions, and other miscellaneous receipts totaling approximately \$75,000 for the year ended December 31, 2014. The Sheriff's department also collected monies for boarding and transporting of prisoners and dispatching fees but did not maintain sufficient records to easily identify amounts collected.

1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform a supervisory review of accounting and bank records. The Bookkeeper is responsible for receipting, recording, depositing, and disbursing monies received at the front desk, billing, receiving, and transmitting monies for inmate transportation reimbursement claims, and reconciling bank accounts.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement a documented independent or supervisory review of accounting and bank records.

1.2 Receipting, recording, and depositing

Controls and procedures over receipting, recording, and depositing monies need improvement.

- The Bookkeeper does not issue receipt slips for payments received for board bills, transportation reimbursements, and dispatching fees. These monies are transmitted to the County Treasurer without being receipted or recorded.
- Manual receipt slips issued for inmate monies are not reconciled with monies posted to the inmate computer system used to track inmates' balances. The computer system generates a receipt slip number for each receipt posted, but these numbers are not indicated on the manual receipt slips.
- Receipts from phone card sales are not deposited timely. Deposits are typically made every 2 weeks, total more than \$600, and consist mostly of cash.
- Monies received are not adequately secured until deposit or transmittal. The Bookkeeper stores receipts on her desk accessible by all department employees. In addition, inmate monies are stored in an unlocked closet and receipts from phone card sales are stored in a desk in the jail's booking/dispatch area also accessible by all department employees.



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- The composition of receipts (cash, check, or money order) is not reconciled to the composition of deposits. The Bookkeeper lists each receipt slip number and the receipt amount on the deposit slip, but does not always indicate when the amount received was cash.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of monies could occur and go undetected. Issuing prenumbered receipt slips for all monies received, reconciling manual receipt slip information to postings to the inmate computer system, storing receipts in a secure location until deposit, depositing and transmitting all receipts intact and timely, and reconciling the composition of receipts to the composition of deposits is necessary to ensure all receipts are handled and accounted for properly.

A similar condition was noted in our prior audit report.

1.3 Disbursements

The Sheriff's facsimile signature stamp and blank checks are not adequately controlled.

The Bookkeeper uses a facsimile stamp to apply the Sheriff's signature on checks, and only one signature is required on the checks. Blank checks and the facsimile stamp are both maintained in areas accessible to employees not authorized to sign checks. In addition, the Bookkeeper does not initial to indicate use nor is there any review of the checks stamped. The use of the facsimile stamp diminishes the controls intended by the approval signature.

To safeguard against possible loss, theft, or misuse of funds and to ensure disbursements are properly handled, the Sheriff should establish controls over the use of and access to the facsimile stamp and blank checks. If the Sheriff is unavailable to sign checks, he should subsequently document his review of checks where his signature stamp was used.

1.4 Boarding of prisoners

The Sheriff does not have proper controls and procedures in place to ensure collection of amounts billed for boarding of prisoners or transmittal of amounts received, and the Sheriff has not entered into written agreements with surrounding counties for the boarding of prisoners.

The Jail Administrator prepares and sends board bills to other counties approximately 4 times per year. As noted in section 1.2, the Bookkeeper does not record receipt of board bill payments, but forwards payments made to the County Treasurer. Neither the Bookkeeper nor the County Treasurer report amounts received to the Jail Administrator. As a result, the Jail Administrator is unable to determine amounts collected or otherwise monitor billed amounts to ensure payments are received and transmitted to the County Treasurer. The Jail Administrator's records indicate amounts billed to other counties during 2014 totaled \$10,890.



Ozark County Management Advisory Report - State Auditor's Findings

Also, the Sheriff has not entered into written agreements with other counties for the boarding of prisoners detailing the housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations.

Procedures such as independent reconciliations of billing records to jail records and payments received should be established to ensure prisoner housing is properly billed, collected, and transmitted to the County Treasurer. Proper records and follow up procedures are also necessary to safeguard against possible loss, theft, or misuse of funds going undetected. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Recommendations

The Sheriff:

- 1.1 Segregate accounting duties or ensure independent or supervisory review of accounting and bank records are performed and documented.
- 1.2 Establish procedures to ensure all monies received are properly receipted and recorded, maintained in a secure location, and deposited timely. The Sheriff should also ensure the composition of receipts agrees to the composition of deposits and manual receipt slip information is reconciled to postings to the inmate computer system.
- 1.3 Establish controls over the use of and restrict access to the signature stamp and blank check stock.
- 1.4 Develop procedures to ensure collection of costs for boarding prisoners and transmittal of payments received. In addition, the County Commission and Sheriff should obtain written agreements with other entities for the boarding of prisoners.

Auditee's Response

The Sheriff provided the following responses:

- 1.1 *We have implemented a system of reviews. I sign off on all of the Bookkeeper's work including receipt slips, checkbooks, and bank statements. In my absence, the Chief Deputy, performs and documents his review. I am working on segregating the responsibilities of the CCW programs by implementing an additional employee working on the CCW procedures. There will also be a periodic independent review of billings and collections.*



Ozark County
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- 1.2 *We have implemented procedures to record all monies received in receipt books. All monies on hand are placed in locked boxes and deposits are made on a weekly basis. We are in the process of building a wall to secure the Bookkeeper's desk and limit the access to this part of the office. The method of composition is being recorded on the receipt slips and the deposit slips and will be reconciled. We will begin recording transaction numbers from the inmate computer system on the manual receipt slips and reconciling between the receipt slips and the system.*
- 1.3 *We have discontinued the use of and destroyed the facsimile stamp. We have restricted access to the blank checks by placing the checks in a locked box with limited access.*
- 1.4 *Board bill payments are now paid directly to the County Treasurer. The Jail Administrator is receiving receipt slips from the County Treasurer and reconciling the receipt slips to bills sent. I am working with the other counties to prepare a written agreement to document the terms for boarding prisoners.*

The County Commission provided the following response:

- 1.4 *The County Commission agreed with the Sheriff's plans to obtain written agreements for boarding prisoners.*

2. Property Tax System and County Collector's Controls and Procedures

Property tax system and the County Collector's controls and procedures need improvement. The County Collector collected approximately \$4.2 million in property taxes and other monies during the year ended February 28, 2015. Partial payments at February 28, 2015, totaled approximately \$8,000.

2.1 Review of activity

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and County Commission did not adequately review and approve the County Collector's annual settlement for the year ended February 28, 2015.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to the county treasury. An account book or other records that summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County



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Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

2.2 Partial payments

The County Collector does not always issue receipt slips for partial payments received, and does not adequately follow up on inactive partial payments.

The County Collector accepts partial payments from taxpayers who are unable to pay their tax bills in full and maintains a ledger of partial payments received from taxpayers. The County Collector issues receipt slips for some cash receipts, hand writes the amount paid on the tax statement for some cash receipts, and only issues receipt slips for check or money order receipts upon taxpayer request.

The County Collector indicated he writes a note on each tax statement with a partial payment balance to let taxpayers know how much is available when mailing new tax statements each year, but leaves it up to the taxpayer to tell him to apply these monies to balances owed or issue a refund if no tax is due. Of the 59 partial payments held by the County Collector on February 28, 2015, 16 partial payments had no activity for over a year, including 2 with no activity since 2011 and 5 with no activity since 2012. After our review, the County Collector applied 5 of these partial payments to taxes owed and refunded 11 others to taxpayers or their estates.

To ensure all monies received for partial payments are properly recorded and deposited and to reduce the risk of loss, theft, or misuse of funds, the County Collector should issue receipt slips for all partial payments received, and follow up on old inactive partial payments.

2.3 Deposits and refunds

The County Collector does not reconcile the cash/check composition of receipts on the daily reports to the composition of deposits. Our review of the daily reports for December 29, 2014, indicated a negative cash total of \$389 in one cash drawer while checks and money orders were \$389 more than receipted in the other cash drawer. We determined this difference occurred because a payment of 2 money orders totaling \$2,000 was posted in the system for payment of taxes totaling \$1,611 and the remaining \$389 was refunded in cash to the taxpayer from the other cash drawer. While we subsequently identified and obtained documentation to explain the difference, the original payment amount was not corrected in the system and the County Collector did not maintain documentation to explain the reason for the \$389 difference or that a refund was distributed in cash.



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To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, the composition of receipts should be reconciled to the composition of deposits and any differences promptly investigated and adequately documented. In addition, all disbursements should be made by check through the normal disbursement procedure, and supported by adequate documentation.

Recommendations

- 2.1 The County Clerk maintain a complete and accurate account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 2.2 The County Collector issue receipt slips for all partial payments received and periodically perform a documented follow up on partial payment accounts with no activity.
- 2.3 The County Collector reconcile the composition of receipts on the daily abstract to the composition of deposits. In addition, issue all refunds by check and maintain supporting documentation of refunds.

Auditee's Response

The County Clerk provided the following response:

- 2.1 *I did review the County Collector's monthly settlements and compared the amounts to the annual settlement for the year ended February 28, 2016. I am working to determine the most efficient and effective method to track the property tax activity and agree it to the annual settlement.*

The County Commission provided the following response:

- 2.1 *We will perform a documented review of the annual settlement in the future.*

The County Collector provided the following responses:

- 2.2 *My office is discouraging the use of partial payments. When payments are made, a receipt slip is issued. A review of the partial payment system was begun while the office was being audited and accounts without activity for more than 14 months have been refunded and closed. Effective July 9, 2015, accounts without activity within 14 months have been closed.*
- 2.3 *I will be using 2 cash drawers, now that we have adequate room to operate, during tax season. This will streamline the cash/check*



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operation during tax season. Proper documentation is being made on validator tapes if/when there is something unusual during processing payments. Making change is extremely unusual when a taxpayer is paying with check or money order. Every effort will be made to ensure that checks or money orders are for exact amounts. If change is needed, a check will be issued for amounts over \$10.

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures need improvement in the Prosecuting Attorney's office. The office processed bad check restitution and fees totaling at least \$5,805 for the year ended December 31, 2014.

3.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties and does not perform a documented supervisory review of accounting records. The Legal Assistant is responsible for receipting, recording, and transmitting payments and fees to the applicable party. The Prosecuting Attorney indicated he opens the mail and reviews the listing of bad checks every other month but does not document any of these reviews.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement a documented independent or supervisory review of accounting records.

3.2 Receipting and transmitting

Receipt slips are not issued for monies received, and money orders are not restrictively endorsed immediately upon receipt. A detailed record of monies collected is not maintained by the Prosecuting Attorney's office.

While the Legal Assistant makes a copy of each money order, places it in the defendant's file, and marks paid on the listing of bad checks received, there is no procedure to ensure all monies are properly transmitted to victims and the County Treasurer. The listing of bad checks did not indicate any dates when payments were received or transmitted. At our request, the Legal Assistant prepared a list of receipts transmitted to victims during 2014 totaling \$4,285 and we computed \$1,520 in associated fees that should have been transmitted to the County Treasurer. However, we were unable to trace 7 receipts totaling \$210 from the list of receipts to the County Treasurer's records, and the County Treasurer's records included 8 receipts totaling \$336 that were not shown on the list of receipts. As a result, there is less assurance all receipts were properly recorded and transmitted.

To ensure monies are accounted for properly and transmitted intact, pre-numbered receipt slips should be issued for all monies received, the method of payment should be indicated on each receipt slip, and the composition of



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receipt slips issued should be reconciled to the composition of the amounts transmitted to the County Treasurer. In addition, money orders payable to the county should be restrictively endorsed immediately upon receipt.

3.3 Bad check tracking procedures

The Prosecuting Attorney has not established adequate procedures to properly track, monitor, and collect payment on bad checks, and does not adequately monitor the disposition of all bad checks submitted to the office for collection. Merchants are not always required to submit bad check complaint forms when turning over bad checks for collection. The Legal Assistant maintains a listing of bad checks submitted to the Prosecuting Attorney; however, it is not updated timely and does not contain necessary information such as dates to indicate: check issuance, receipt of bad check, receipt of payment, transmittal to victim and County Treasurer, or filing with the court. As a result, the Prosecuting Attorney cannot easily identify the status of all bad checks.

To ensure bad checks are handled and accounted for properly, the office should require submission of a bad check complaint form along with the bad check and the collection and disposition of each bad check should be tracked. According to the Missouri Bad Check Prosecution Handbook prepared by the Missouri Office of Prosecution Services, the Prosecuting Attorney's office must have an initial complaint form upon which all essential data concerning the original check transaction can be recorded to begin processing the bad check. This form is to contain all necessary factual information as this form may eventually become the basis for the probable cause statement required for filing charges. A complete and accurate list of unpaid bad checks would allow office personnel to more easily review amounts due and take appropriate steps to ensure amounts due are collected.

Similar conditions previously reported Recommendations

Similar conditions to sections 3.2 and 3.3 were noted in our prior 2 audit reports.

The Prosecuting Attorney:

- 3.1 Segregate accounting duties or ensure independent or supervisory review of accounting records are performed and documented.
- 3.2 Issue receipt slips for all monies received and reconcile receipt slips to amounts transmitted to the County Treasurer. Additionally, the Prosecuting Attorney should ensure money orders are restrictively endorsed immediately upon receipt.
- 3.3 Implement procedures to adequately track the receipt and disposition of all bad check complaints.



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Management Advisory Report - State Auditor's Findings

Auditee's Response

- 3.1 *It is not fiscally possible to segregate the duties. I will try to review records as time allows.*
- 3.2 *The Karpel system has been installed and we anticipate it will help implement the procedures of issuing receipt slips and reconciling them to transmittals. We will obtain a stamp to restrictively endorse money orders issued to the county as they are received.*
- 3.3 *We will load the information into Karpel. It is my understanding Karpel will track the activity on the bad checks and payments made on the bad checks.*

4. Payroll Controls and Procedures

Controls and procedures over payroll need improvement.

- 4.1 Centralized leave records The County Clerk does not maintain centralized leave records for Sheriff's department employees. While records of vacation and sick leave and compensatory time earned, taken, or accumulated are prepared and maintained by the Sheriff's department, they are not submitted to the County Clerk monthly.

Without centralized records, the County Commission cannot ensure employees' compensatory time and leave usage and balances are accurate. Centralized records also aid in ensuring equitable treatment of employees, and compliance with federal regulations.

- 4.2 Compensatory leave The county does not have adequate procedures to ensure Sheriff's department employees are compensated in accordance with the county's personnel policy and Fair Labor Standards Act (FLSA) requirements. The county's personnel policy in accordance with the FLSA requires compensatory time to be awarded at a rate of time and one-half for hours exceeding 171 hours in a 28-day period.

Sheriff's department personnel do not follow county policy when calculating compensatory time. For example, a deputy worked only 141.5 hours in a 28-day period and received 10.5 hours of compensatory time because hours worked on 3 of those days exceeded 8 hours. Per the county policy and the FLSA, the employee should not have received any compensatory time.

In addition, Sheriff's department personnel do not properly calculate compensatory time for deputies working additional hours patrolling the national parks within the county. The Sheriff entered into contracts with the Corps of Engineers and the Forest Service to perform patrolling services (uniformed deputies in county patrol vehicles) of Bull Shoals and Norfolk lakes and the Mark Twain National Forest. Deputies record hours worked



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patrolling the parks separately on their timesheets and receive compensation of \$14 per hour, which is higher than their normal rate. Park patrol hours are not included in hours worked when calculating compensatory leave earned. For example, a deputy worked 169 hours performing routine work and 21 hours patrolling the parks for a total of 190 hours worked during a 28 day period. The employee worked 19 hours in excess of the 171 hour threshold, and should have earned 28.5 (19 x 1.5) hours of compensatory leave. However, the deputy only received 10.5 hours of compensatory leave, computed based on the methodology noted in the previous paragraph and excluding the park patrol hours from the calculation.

Accurate compensatory time calculation procedures are necessary to ensure compliance with county policy and the FLSA, and to ensure the equitable treatment of county employees.

4.3 Leave balances

The county's personnel policy does not address the use of unearned leave and compensatory time was used in excess of available balances, resulting in a negative compensatory leave balance. For example, we noted a Sheriff's department employee had a negative compensatory leave balance for 9 months ranging from September 2014 through June 2015.

To ensure the equitable treatment of employees, the personnel policy should be updated to address the use of unearned leave and employees should not be allowed to carry negative leave balances.

4.4 Advanced payments

The County Clerk's office distributes payroll for all employees on the last working day of each month for the period ending the last day of the month. Timesheets are prepared and submitted approximately one week in advance of the payroll distributions. In addition, timesheets provided to the County Clerk from the Sheriff's department are not accurate because they reflect the employees' scheduled hours instead of the actual hours worked. As a result, employees are paid in advance for their services, and may lead to errors and the potential for employees to be over/under paid.

To ensure payroll disbursements are appropriate and demonstrate compliance with the FLSA, the County Commission should require adequate documentation to support all payroll transactions.

Similar conditions
previously reported

Similar conditions to sections 4.1 and 4.2 were noted in our prior 2 audit reports.

Recommendations

- 4.1 The County Clerk ensure centralized records of vacation leave, sick leave, and compensatory leave are maintained for all county employees.



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- 4.2 The County Commission develop procedures to ensure compensatory leave for Sheriff's department employees is calculated in compliance with the county personnel policy and the FLSA.
- 4.3 The County Commission revise the county personnel policy to address the use of unearned leave and discontinue the practice of allowing negative leave balances.
- 4.4 The County Commission should discontinue compensating employees in advance of receiving services.

Auditee's Response

The County Clerk provided the following response:

- 4.1 *We will work with the Sheriff to move all leave records to the County Clerk's office and maintain centralized leave records for all county employees.*

The County Commission provided the following responses:

- 4.2 *The County Clerk, Sheriff, and County Commission will review the procedures of tracking the Sheriff employees hours worked and the compensatory policy to ensure we are providing compensatory leave in accordance with county policy and FLSA for all hours worked for routine patrolling for the Sheriff and for the park patrol agreement.*
- 4.3 *We will review situations that could result in unearned leave and determine the best policy to address the concern. We agree to discontinue the practice of allowing negative leave balances.*
- 4.4 *We will design a new timesheet to be used by all offices to show all actual time worked for the end of the prior month and the current month to ensure all payments are based on actual hours worked.*

5. Disbursements

As similarly noted in our prior report, county procedures related to bidding need improvement and disbursements from the Sheriff's Revolving Fund were not always appropriate.

5.1 Bidding

The County Commission did not retain documentation of bids for health insurance and did not solicit bids for property and liability insurance and bulk fuel purchases. The County Clerk indicated the county's health insurance agent performs the bidding every 3 years but the County Commission did not request or retain information regarding those bids. Further, the County Commission discussed potential health insurance bids with other agents, but did not maintain any documentation of these



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discussions. Also, the County Commission has not solicited bids for property and liability insurance since 2010 or bulk fuel since 2013. The Road and Bridge department has 11 bulk fuel tanks at various locations throughout the county. The county paid approximately \$70,000 for health insurance, \$71,000 for property and liability insurance, and \$167,000 for Road and Bridge department fuel during the year ended December 31, 2014.

Section 67.150, RSMo, requires competitive bidding at least every 3 years for health insurance. Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensure necessary services are obtained from the best-qualified vendor at a reasonable cost and all interested parties are given an equal opportunity to participate in county business. Documentation of various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

5.2 Sheriff's Revolving Fund

The Sheriff did not ensure all disbursements from the Sheriff's Revolving Fund during 2014 were allowable per state law. The Sheriff spent \$7,602 for a monitor, router, 3 computers, and also paid for the installation of these items for multiple department purposes, including the processing of prisoners into the jail. The Sheriff's Bookkeeper indicated approximately one-third of the time spent on these computers is related to concealed carry weapon transactions; therefore, the costs of these items should have been allocated accordingly among the appropriate funds.

Under Section 50.535, RSMo, Sheriff's Revolving Fund is to be used to make necessary expenditures to process applications for concealed carry permits or renewals, including but not limited to the purchase of equipment, training, fingerprinting, background checks, and employment of additional personnel.

Recommendations

- 5.1 The County Commission ensure a competitive procurement process is used for all major purchases of goods or services in accordance with state law and adequate documentation is maintained to support the selection process.
- 5.2 The Sheriff ensure disbursements of the Sheriff's Revolving Fund are in accordance with state law and reimburse the Sheriff's Revolving Fund \$5,068 from the appropriate funds.

Auditee's Response

The County Commission provided the following response:

- 5.1 *We have rebid the health insurance and property and liability insurance. All bidding documentation was maintained. We have plans in the next month to rebid the fuel cost. Until the rebidding is*



Ozark County
Management Advisory Report - State Auditor's Findings

performed we are working to review current fuel costs and ensure the current purchase is reasonable. We are considering the need to bid other significant purchases in accordance with state law.

The Sheriff provided the following response:

5.2 *I will review procedures to ensure future purchases are made in accordance with state law. I agree to reimburse the Sheriff's Revolving Fund \$5,068 from the appropriate funds.*

6. Electronic Data Security

Controls over county computers are not sufficient. As a result, county records are not adequately protected and are susceptible to unauthorized access or loss of data.

6.1 User passwords

The County Clerk, County Collector, Ex Officio Recorder of Deeds, Sheriff, Public Administrator, County Assessor, and County Commission have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically or have a minimum number of characters in the passwords. In addition, officials and employees share the user identification (ID) and password for certain computers in the County Clerk's office.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed or contain a minimum number of characters in certain offices and are shared by employees in some cases, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

6.2 Backup data

The Sheriff and Public Administrator do not store backups at an off-site location and the County Commission does not back up computer data. In addition, the Sheriff does not perform periodic testing of backup data, while the County Assessor, County Clerk, and County Collector rely on the property tax system programmer to perform periodic testing of backup data.

Failure to store computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer. To help prevent loss of information and ensure essential information and computer systems can be recovered, computer data should be backed up periodically with the backup data tested on a regular basis and stored at a secure off-site location.



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6.3 Security controls

The County Clerk, County Treasurer, Ex-Officio Recorder of Deeds, County Assessor, Prosecuting Attorney, and Sheriff do not have security controls in place to lock a computer after a certain period of inactivity. In addition, the County Clerk, County Collector, County Treasurer, Ex Officio Recorder of Deeds, County Assessor, Prosecuting Attorney, and County Commission do not have security controls in place to lock a computer after a specified number of incorrect logon attempts.

Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Additionally, logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

Recommendations

The County Commission work with other county officials to:

- 6.1 Require unique passwords for each employee that are confidential, contain a minimum number of characters, and are periodically changed to prevent unauthorized access to county's computers and data.
- 6.2 Ensure computer data is backed up periodically; tested on a regular, predefined basis; and stored in a secure off-site location.
- 6.3 Require each county computer to have security controls in place to lock it after a certain period of inactivity or after a specified number of incorrect logon attempts.

Auditee's Response

The County Commission provided the following responses:

- 6.1 *We will work with other county officials to require passwords to have a minimum number of characters, be confidential, unique, and changed on a regular basis.*
- 6.2 *We will look into options for storing backups off-site and determine the most cost efficient method for the county. At a minimum backups will be stored in a fireproof and waterproof vault. We will work with other county officials for backups to be performed and tested on a regular basis.*



Ozark County
Management Advisory Report - State Auditor's Findings

6.3 *We will work with other county officials to implement procedures to ensure computers lock after a period of inactivity and after a specified number of incorrect logon attempts.*

7. Recycling Center's Controls and Procedures

Control and procedures at the Recycling Center need improvement. The Recycling Center received \$14,034 for collecting glass, metal, plastic and cardboard to be recycled and \$4,410 for disposing of personal trash during the year ended December 31, 2014.

Office personnel do not issue receipt slips for monies received or record receipts in a ledger. The personnel indicated receipts are transmitted to the County Treasurer when receipts total approximately \$200. Our cash count in June 2015 identified approximately \$600 on hand. By not issuing receipt slips or recording receipts, there is no assurance that all monies received are transmitted to the County Treasurer. In addition, checks are not restrictively endorsed when received and the payee was not indicated on all checks. Office personnel also withhold cash from monies transmitted to the County Treasurer to maintain a change fund; however, the change fund is not maintained at a constant amount and office personnel do not track the amount withheld from each transmittal.

To reduce the risk of loss, theft, or misuse of monies and to properly account for all monies, official prenumbered receipt slips should be issued for all monies received, the method of payment should be recorded, and the composition of receipts should be reconciled to the composition of monies transmitted to the County Treasurer. In addition, checks should be restrictively endorsed immediately upon receipt and the payee written in if not completed by the payer. Also, if a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a transmittal is made.

Recommendation

The County Commission establish procedures to ensure all monies received are properly receipted, promptly recorded, checks are restrictively endorsed immediately upon receipt and the payee is indicated on all checks. In addition, the composition of receipts should be reconciled to the composition of transmittals and receipts should be transmitted intact. If a change fund is needed, it should be maintained at an established amount.

Auditee's Response

We are now requiring deposits to be made on a weekly basis. We will implement procedures to record all monies received, deposited, and reconcile the method of composition between the monies received and the monies deposited. Checks will be restrictively endorsed upon receipt and the payee will be documented on all checks. A change fund will be established that will be maintained at a constant amount.

Ozark County

Organization and Statistical Information

Ozark County is a county-organized, third-class county. The county seat is Gainesville.

Ozark County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 42 full-time employees (including elected officials) and 7 part-time employees on December 31, 2014.

In addition, county operations include a Health Center and a Recycling Center.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2015	2014
David Morrison, Presiding Commissioner	\$	27,080
Greg Donley, Associate Commissioner		25,080
Gary Collins, Associate Commissioner		25,080
Becki Strong, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Lisa Nance Hawkins, County Clerk		38,000
Thomas W. Cline, Prosecuting Attorney		125,287
Darrin Reed, Sheriff		42,000
Phyllis Gaulding Turner, County Treasurer		38,000
Shane Ledbetter, County Coroner		11,000
Melinda Abraham, Public Administrator		38,000
Billy D. Hambelton II, County Collector, year ended February 28,	38,000	
Jama M. Berry, County Assessor, year ended August 31,		38,000
Matt Wade, County Surveyor (2)		

(1) Compensation is paid by the state.

(2) Compensation on a fee basis.



Nicole Galloway, CPA
Missouri State Auditor

Waynesville R-VI School District

Student Data Governance

May 2016

Report No. 2016-025



<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Cyber Aware Schools Audit of the Waynesville R-VI School District

Background	The Waynesville R-VI School District's Student Data Governance Audit was completed as part of the Cyber Aware School Audits Initiative. These audits are designed to assess the effectiveness of privacy and security controls with a focus on identifying practices to improve the security of information school districts have on students and their families. The district uses a student information system (SIS) to maintain student data and to track and monitor academic progress. The SIS maintains private and confidential data, such as social security numbers and assessment test scores. Additional systems and applications that maintain data are used for administrative functions and to enhance student productivity and classroom collaboration. The district relies extensively on computerized systems to support its educational and mission-related operations and on information security controls to protect the sensitive data residing on those systems. Auditors identified areas where improvements are needed but also found the district has developed certain controls to establish a safe environment for using technology, including promoting online safety, security, and confidentiality.
Data Governance	The district has not established a comprehensive data governance program, a critical task for any educational organization. A comprehensive program is necessary to ensure the confidentiality, integrity, availability, and quality of data. Without a formal program, the district cannot ensure that personally identifiable information (PII) is adequately protected and safe from unauthorized access, misuse, or inadvertent disclosure.
User Accounts	The district has not fully established controls for creating and maintaining user accounts for accessing system resources. Policies and procedures for disabling or removing user accounts timely after a user terminates are not documented. Auditors found 40 former users still had access to district systems 30 days or more after leaving the district. In addition, the district does not proactively monitor for user accounts that have not been accessed or used for a specified period of time. Certain staff share user accounts and passwords. However, these accounts are not monitored to ensure actions taken by users are appropriate. Without appropriate policies and procedures, including effective procedures to remove access and monitor for inactive accounts, users could continue to have access to critical or sensitive resources, which can provide opportunities for misuse or inappropriate disclosure of sensitive data.
Security Controls	The district has not implemented necessary security controls, leaving technology assets, including PII, at risk of inappropriate access, use, and disclosure. The district has not formally appointed any specific personnel to serve as security administrator or formally assigned responsibility for creating, implementing, and maintaining security policies and procedures. Without documented and approved policies and procedures, management lacks assurance that security controls are appropriate and properly applied.
Incident Response and Continuity Planning	The district has not taken all necessary measures to protect data in the event of a breach or other disruptive incident. The district has not formally documented policies and procedures for responding to security incidents,

has not adopted a formal data breach response policy, and has not completed the process of developing and testing a continuity plan. Without comprehensive incident response and breach-related policies, management may not be sufficiently equipped to respond quickly and effectively to an incident or breach, increasing the risk of potential harm to the district or affected individuals. Without a tested and functional continuity plan, management has limited assurance the organization's business functions and computer processing can be sustained during or promptly resumed after a disruptive incident.

Security Awareness Program

The district has not established a formal security and privacy awareness training program. As education organizations implement more powerful information systems and become more reliant on electronic data, proactive security awareness programs become increasingly important. With proper security and privacy awareness training and clear communication of data and device use policies, employees can become the first line of defense against cybersecurity incidents. However, without adequate training, users may not understand system security risks and their role in implementing related policies and controls to mitigate those risks.

Vendor Monitoring

The district has not established a process for ensuring software acquired or outsourced from information technology vendors complies with data security principles. Without an effective process for monitoring and managing risk of software acquisition or outsourcing, the district has less assurance in a vendor's ability to deliver services effectively, securely, and reliably and to ensure that services meet current and future data privacy and security needs.

Because of the nature of this report, no overall rating is provided.
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Waynesville R-VI School District Student Data Governance

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Board of Education
Waynesville R-VI School District

Due to increasing concerns for protecting the security and privacy of information schools maintain on students and the continued emergence of cyber threats, we have audited the Waynesville R-VI School District's student data governance program in fulfillment of our duties under Chapter 29, RSMo. This audit was conducted as part of the State Auditor's Cyber Aware School Audits Initiative and focused on evaluating the effectiveness of the data governance program, including identifying cybersecurity safeguards and privacy controls that can help schools improve the security of student data.

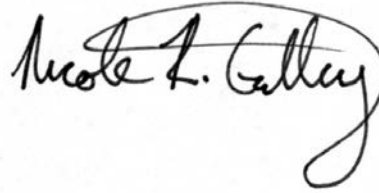
The objectives of our audit were to:

1. Evaluate the effectiveness of privacy plans and controls for safeguarding personally identifiable information.
2. Evaluate the effectiveness of information security controls for protecting the confidentiality, integrity, and availability of significant systems and information technology resources.
3. Evaluate compliance with certain legal provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) the need to fully establish certain privacy plans and controls, (2) the need to fully establish certain information security controls for protecting the confidentiality, integrity, and availability of significant systems and information technology resources, and (3) no significant noncompliance with legal provisions.

The accompanying Management Advisory Report presents our findings arising from our audit of the Waynesville R-VI School District's student data governance program.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly distinguishable. The signature is written over a faint, circular embossed seal or watermark.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Jeffrey Thelen, CPA, CISA
In-Charge Auditor:	Patrick M. Pullins, M.Acct., CISA
Audit Staff:	Marian Seevers, M.Acct., CPA
	Michelle Pummill

Waynesville R-VI School District Student Data Governance

Introduction

Background

The Waynesville R-VI School District Student Data Governance Audit was completed as part of the Cyber Aware School Audits Initiative. These audits are designed to assess the effectiveness of privacy and security controls with a focus on identifying practices to improve the security of information school districts have on students and their families.

The district uses a student information system (SIS) to maintain student data and to track and monitor academic progress. The SIS maintains private and confidential data, such as social security numbers, assessment test scores, and other sensitive data. The district uploads various student data maintained in the SIS to the Department of Elementary and Secondary Education (DESE), Missouri Student Information System (MOSIS) Data Collection component periodically throughout the year. The MOSIS Data Collection component is used to collect student-level data from school districts for processing and reporting. Data submitted by the district includes elements such as enrollment and attendance, demographics, performance information, and college and career data used for evaluating the success and achievements of students. The district also uses a financial accounting system and a network management system for administering user access to various district resources. Other systems and applications are used for administrative functions and to enhance student productivity and classroom collaboration.

Cyber threats continue to emerge and evolve

As connectivity of business activity increases and organizations become increasingly dependent on technology, including computerized systems and electronic data, no school district is exempt from cyber threats, vulnerabilities, and privacy exposures. As a result, it is important to view information security and privacy as a business issue rather than strictly an information technology issue. Security threats, vulnerabilities, and privacy exposures challenge every organization, creating data protection and privacy risks that must be understood, addressed, and managed.

The National Institute of Standards and Technology (NIST) defines cybersecurity as the process of protecting information by preventing, detecting, and responding to attacks¹ while ISACA states cybersecurity encompasses all that protects enterprises and individuals from intentional attacks, breaches and incidents as well as the consequences.² Cybersecurity should be aligned with all other aspects of information security, including governance, management, and assurance. The state of being secure requires

¹ National Institute of Standards and Technology, Framework for Improving Critical Infrastructure Cybersecurity, Version 1, February 2014, is available at <<http://www.nist.gov/cyberframework/upload/cybersecurity-framework-021214-final.pdf>>.

² ISACA Cybersecurity Nexus, Transforming Cybersecurity, 2013, <<http://www.isaca.org/cyber>>.



Waynesville R-VI School District Student Data Governance Introduction

maintenance and continuous improvement to meet the needs of stakeholders and the demands of emerging cyber threats.

In the 2015 High-Risk Series³ update, the Government Accountability Office (GAO) expanded the scope of the information security high-risk area to include protecting the privacy of personally identifiable information (PII).⁴ The GAO expanded this risk area due to the challenges of ensuring the privacy of PII created by advances in technology. Technology advances, such as lower data storage costs and increasing interconnectivity, have allowed both government and private sector agencies to collect and process extensive amounts of PII more effectively. Risks to PII can originate from unintentional and intentional threats. These risks include insider threats from careless, disgruntled, or improperly trained employees and contractors; the ease of obtaining and using hacking tools; and the emergence of more destructive attacks and data thefts.

Technology advances, combined with the increasing sophistication of individuals or groups with malicious intent, have increased the risk of PII being compromised and exposed. Correspondingly, the number of reported security incidents involving PII in both the private and public sectors has increased dramatically in recent years. At the same time, school districts are increasingly reliant on technology and information sharing to interact with students and parents and to deliver essential educational services. As a result, the need to protect information, including PII, against cyber threats is increasingly important.

The Privacy Rights Clearinghouse⁵ recorded breaches at kindergarten through grade 12 (K-12) educational institutions/school districts in the United States occurring during 2005 through 2015, potentially disclosing over 580,000 records of personal information.⁶ These breaches include only

³ Report GAO-15-290, Report to Congressional Committees, High-Risk Series An Update, February 2015, is available at <<http://www.gao.gov/assets/670/668415.pdf>>.

⁴ According to the Family Educational Rights and Privacy Act (FERPA), personally identifiable information (PII) includes, but is not limited to (a) the student's name; (b) the name of the student's parent or other family members; (c) the address of the student or student's family; (d) a personal identifier, such as the student's social security number, student number, or biometric record; (e) other indirect identifiers, such as the student's date of birth, place of birth, and mother's maiden name; and (f) other information that, alone or in combination, is linked or linkable to a specific student that would allow a reasonable person in the school community, who does not have personal knowledge of the relevant circumstances, to identify the student.

⁵ The Privacy Rights Clearinghouse is a nonprofit corporation whose mission is to engage, educate, and empower individuals to protect their privacy by raising awareness of how technology affects personal privacy.

⁶ Privacy Rights Clearinghouse, Chronology of Data Breaches, is available at <<http://www.privacyrights.org/data-breach>>. We downloaded a file containing all breaches and filtered the results to include only data breaches occurring at K-12 educational institutions.



Waynesville R-VI School District Student Data Governance Introduction

those made public and the data reflects three data breach incidents at Missouri public school districts.

Data governance

According to the U.S. Department of Education, Privacy Technical Assistance Center (PTAC),⁷ data governance is an organizational approach to data and information management that is formalized as a set of policies and procedures encompassing the full life cycle of data, from acquisition to use to disposal. It includes establishing policies, procedures, and standards regarding data security and privacy protection, data inventories, content and records management, data quality control, data access, and data sharing and dissemination. Establishing a comprehensive data governance program helps ensure confidentiality, integrity, and availability of data and information by reducing data security risks due to unauthorized access or misuse of data.

Security and privacy controls

According to accepted standards, security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system to protect the confidentiality, integrity, and availability of a system and its information. Confidentiality refers to preserving authorized restrictions on information access and disclosure, including the means for protecting personal privacy and proprietary information. Integrity relates to guarding against improper information modification or destruction, and availability ensures timely and reliable access to and use of information. Effective privacy controls depend on the safeguards employed within the information system that is processing, storing, and transmitting PII and the environment in which the system operates. Organizations cannot have effective privacy without a basic foundation of information security. Without proper safeguards and controls, information systems and confidential data are vulnerable to individuals with malicious intentions who can use access to obtain sensitive data or disrupt operations.

Laws and regulations

Various federal and state laws and regulations pertain to the protection of sensitive student data, including the Family Educational Rights and Privacy Act (FERPA), the Individuals with Disabilities Education Act (IDEA), and the Protection of Pupil Rights Amendment (PPRA). Additionally, Section 161.096, RSMo, requires the State Board of Education to promulgate a rule regarding "student data accessibility, transparency, and accountability."⁸

⁷ U.S. Department of Education, Privacy Technical Assistance Center, Data Governance Checklist, is available at <<https://nces.ed.gov/programs/ptac/pdf/data-governance-checklist.pdf>>.

⁸ 5 CSR Section 20-700.100



Waynesville R-VI School District Student Data Governance Introduction

Controls established

The district has an important responsibility for maintaining the privacy of student data and for implementing and maintaining information security controls. The district relies extensively on computerized systems to support its educational and mission-related operations and on information security controls to protect the sensitive data residing on those systems. While we found areas where improvements are needed, as discussed in the Management Advisory Report, we also found the district has established:

- A technology usage policy to facilitate access to district technology and to create a safe environment for using the technology, including promoting online safety, security, and confidentiality.
- Policies and procedures, including applicable parent/student forms, required to be in compliance with the FERPA data disclosure and usage provisions.
- The controls and processes required to be in compliance with the Children's Internet Protection Act (CIPA).
- Certain controls designed to help ensure the privacy of data and to help ensure the confidentiality, integrity, and availability of significant systems and data maintained on those systems.

Cyber threats will continue to challenge operational resilience and business continuity preparedness. School districts can reduce the risks of breaches by remaining aware of emerging cyber threats and consider the potential impact to operational resilience.

Scope and Methodology

The scope of our audit included the Waynesville R-VI School District's approach to data governance, including information security, privacy, and other relevant internal controls; policies and procedures; and other management functions and compliance issues in place.

Our methodology included reviewing written policies and procedures, and interviewing various district personnel. We obtained an understanding of the data governance approach and applicable controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violation of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We obtained a list of district employees as of January 2016 from the district's accounting system. We matched these records to the user account records from the district's student information system, financial accounting



Waynesville R-VI School District Student Data Governance Introduction

system, and network management system to determine if any terminated employees had active accounts. We also matched these records to users of the DESE statewide data collection systems. Although we used computer-processed data from these systems for our audit work, we did not rely on the results of any processes performed by these systems in arriving at our conclusions. Our conclusions were based on our review of the issues specific to the audit objectives.

We based our evaluation on accepted state, federal, and international standards; policies and procedures; and best practices related to information technology security and privacy controls from the following sources:

- National Institute of Standards and Technology (NIST)
- Government Accountability Office (GAO)
- ISACA (previously known as the Information Systems Audit and Control Association)
- U.S. Department of Education, Privacy Technical Assistance Center (PTAC)⁹

⁹ According to its web site, the U.S. Department of Education established the PTAC as a "one-stop" resource for education stakeholders to learn about data privacy, confidentiality, and security practices related to student-level longitudinal data systems. The PTAC provides information and guidance on privacy, confidentiality, and security practices through a variety of resources. PTAC information is available at <<http://nces.ed.gov/programs/ptac>>.

Waynesville R-VI School District Student Data Governance Management Advisory Report State Auditor's Findings

1. Data Governance

The district has not established a comprehensive data governance program. As a result, there is less assurance the data management and protection procedures in place are effective in reducing data privacy and security risks due to unauthorized access or misuse of data.

According to the U.S. Department of Education, Privacy Technical Assistance Center (PTAC), data governance is necessary to ensure the confidentiality, integrity, availability, and quality of data. Establishing a data governance program is a critical task for any educational organization. An effective program requires establishing decision-making authority, defining policies and practices for the protection of sensitive data, identifying and gaining support of stakeholders, implementing the program, and monitoring its success. By clearly establishing policies, standard procedures, responsibilities, and controls for data activities, a data governance program helps to ensure that information is collected, maintained, used, and disseminated in a manner that protects privacy, confidentiality, and security, while allowing educational organizations to meet their missions.

During our review of the district's data governance approach, we found improvements are needed in the following component areas:

- Responsibility for data management
- Data stewardship
- Inventory and classification of data
- Source and content of data
- Monitoring unauthorized disclosure of personally identifiable information (PII)
- Archival and/or destruction of data at the end of its lifecycle

The district has not formally assigned responsibility for management of the district's data. Assigning appropriate levels of authority to data stewards and proactively defining the scope and limitations of that authority is a prerequisite to successful data management.

The district has not developed a formalized data stewardship plan documenting policies and procedures to protect student data. Adopting and enforcing clear policies and procedures in a written data stewardship plan is necessary to ensure that everyone in the organization understands the importance of data quality and security, and that staff are motivated and empowered to implement data governance.

The district does not maintain an inventory of data files, data elements maintained in those files, and the criticality or sensitivity of the data. Conducting an inventory of all data that require protection is a critical step for data security projects. Maintaining an up-to-date inventory of all



Waynesville R-VI School District Student Data Governance Management Advisory Report - State Auditor's Findings

sensitive records and data systems, including those used to store and process data, enables the organization to target its data security and management efforts. Classifying data by level of sensitivity helps the data management team recognize where to focus security efforts.

The district has not formally identified the source and content of elements within the data files maintained by the district. Closely managing data content, including identifying the purposes for which data are collected, is necessary to justify the collection of sensitive data, optimize data management processes, and ensure compliance with federal, state, and local regulations.

The district has not implemented a monitoring process to detect unauthorized disclosures of PII within its custody. Ensuring the security of sensitive and personally identifiable data and mitigating the risks of unauthorized disclosure of these data is a top priority for an effective data governance program.

The district has not adopted a formal policy regarding the archival or destruction of data at the end of its lifecycle. While some data may need to be maintained indefinitely according to various laws and regulations, other data may become unnecessary or irrelevant when a student graduates or otherwise leaves the district, and can be destroyed when no longer needed. Planning for data archival or destruction is an integral part of a high quality data governance program, according to the U.S. Department of Education, PTAC. Data destruction is the process of removing information in a way that renders it unreadable (for paper records) or irretrievable (for digital records). Establishing policies and procedures governing the archival or destruction of data allows an organization to more efficiently and safely protect its data and is a critical component of an effective data governance program.

Without a formal data governance program, the district cannot ensure that PII maintained by the district is adequately protected and safe from unauthorized access, misuse, or inadvertent disclosure.

Recommendation

The district should establish and implement a formal data governance program encompassing the full life cycle of data, from acquisition to use to disposal.

Auditee's Response

The district concurs with the recommendation and will develop and implement a data governance program by July 2016.

2. User Accounts

The district has not fully established controls for creating and maintaining user accounts for accessing system resources. Accounts assigned to former employees or volunteers no longer working for the district are not always



Waynesville R-VI School District Student Data Governance Management Advisory Report - State Auditor's Findings

removed timely, some accounts and passwords are shared by multiple users, and periodic monitoring to identify inactive accounts is not performed.

2.1 Terminated users

The district has not documented policies and procedures for disabling or removing user accounts timely after a user terminates. As of January 2016, 40 former users still had access to district systems and information 30 or more days after leaving the district, including one user who left in 2011.

While the district has procedures in place to notify information technology staff of a user's departure, the procedures are not documented and are not effective or consistently applied, as evidenced by the number of former users with active accounts. Additionally, the district does not periodically reconcile user accounts to district employees and volunteers.

Without effective procedures to remove access, terminated employees could continue to have access to critical or sensitive resources or have opportunities to sabotage or otherwise impair entity operations or assets, according to the Government Accountability Office (GAO).

2.2 Shared accounts

The district allows certain staff to share user accounts and passwords. However, these accounts are not monitored to ensure actions taken by users are appropriate.

The district maintains accounts for troubleshooting and testing various system settings and configurations, including security controls. Because the accounts are generically named and passwords are shared, any actions taken by the account users cannot be identified with a specific user. Additional compensating controls, such as monitoring or management review of actions performed using these accounts, are not in place.

Accepted standards require all users to have uniquely identifiable user accounts. Allowing multiple users to share the same account, without establishing compensating controls, makes it difficult, if not impossible, to identify the user responsible for changes made to system settings.

2.3 Inactive account monitoring

The district does not proactively monitor for user accounts that have not been accessed or used for a specified period of time.

Inactive accounts can indicate users no longer need the access privileges provided by the accounts and may be attractive targets for individuals attempting to gain unauthorized access since the account owners may not notice illicit activity on the accounts, according to the GAO. Without appropriate monitoring, security administrators are less likely to identify user accounts that had not been accessed or used for a specified period of time.



Waynesville R-VI School District Student Data Governance Management Advisory Report - State Auditor's Findings

Recommendations

The district:

- 2.1 Fully establish, document, and follow policies and procedures to ensure user accounts and related access privileges are removed timely upon user termination.
- 2.2 Eliminate the use of shared accounts, or establish compensating monitoring controls to mitigate the risk of lack of individual accountability for system activity.
- 2.3 Periodically monitor user account access to identify and evaluate inactive accounts.

Auditee's Response

- 2.1 *The district concurs with the recommendation and has created procedures and forms for user account removal of access privileges in a timely manner.*
- 2.2 *The district concurs with the recommendation and has eliminated the use of shared accounts for administrative testing.*
- 2.3 *The district concurs with the recommendation and has created a procedure and schedule for periodic inactive account reviews.*

3. Security Controls

The district has not implemented all necessary security controls, leaving district technology assets, including PII, at risk of inappropriate access, use, and disclosure.

Logical security is the use of computer hardware and software to prevent or detect unauthorized access to systems, including the data therein. Logical security most often takes the form of user accounts and passwords, but also includes location and network based controls and security hardware, such as firewalls. Physical security is the protection of technology resources, including computers and network servers, from theft or damage. Physical security makes technology resources physically unavailable to unauthorized users and can include locked rooms and cabinets, periodic inventories of technology assets, and other measures to protect assets from unauthorized access.

3.1 Security administrator

The district has not formally appointed any specific personnel to serve as security administrator or formally assigned responsibility for creating, implementing, and maintaining security policies and procedures.

Accepted guidance from the U.S. Department of Education, PTAC states that organizations should develop comprehensive plans outlining organization policies and standards regarding data security and individual privacy protection. Such plans should clearly identify staff responsibilities



Waynesville R-VI School District Student Data Governance Management Advisory Report - State Auditor's Findings

for maintaining data security and empower employees by providing tools they can use to minimize the risks of unauthorized access to PII.

Three district information technology staff have informally been tasked with maintaining security of the district's technology resources and data. However, without a formal designation of staff responsible for security administration, there is increased risk that security policies and procedures may not be adequately designed, documented, implemented, and updated.

3.2 Access controls

The district has not fully established policies and procedures regarding user access to systems and data. As a result, certain access controls needed to protect systems have not been implemented.

Logon banners

The district does not display logon banners to users accessing district systems and data.

Logon banners should display information to system users regarding applicable privacy and security notices and required compliance with applicable laws, regulations, and policies. According to accepted standards, logon banners should state that a user is accessing a district provided information system; that usage of the system may be monitored, recorded, and subject to audit; that unauthorized use of the system is prohibited and may be subject to criminal and civil penalties; and that use of the system constitutes agreement with the terms. Without a displayed logon banner, users may not be informed or aware of the authorized or appropriate use of the system and data.

Concurrent users

The district has not established controls to restrict concurrent access to district systems.

Concurrent session controls prevent a single user from accessing an information system from more than a specified number of locations at any given time. These controls help prevent unauthorized users from accessing the system by masquerading as an authorized user.

According to accepted standards, the number of concurrent sessions for a user should be limited. Without limiting access from multiple locations at the same time, management may not be able to ensure the confidentiality, integrity, and availability of data and the system.

3.3 Security logs

The district has not formally documented policies and procedures to identify the types of security events to be logged and monitored. As a result, there is less assurance that detected and logged security incidents are properly investigated and resolved.



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The internal security policies within the district's network management system log thousands of entries each day. A majority of these entries, such as notification of successful login by system users, are of minimal use for security purposes. According to district staff, the network management system default logging settings are used. Because the district has not customized these settings regarding which events are logged, the security logs are voluminous and cannot effectively be monitored for unusual or suspicious activity.

Additionally, similar concerns exist for the network protection devices used by the district. One such system used by the district generated approximately 2.7 million recorded activities in a single 24-hour period. Only certain of these transactions are monitored via a report from the system. Most activities are not reviewed except upon special request, often to determine why certain activities were blocked and to request an exception be added to the system to allow future activity.

The district should establish relevant criteria and identify significant system events that should be logged. At a minimum, all such significant events, including access to and modification of sensitive or critical system resources, should be logged. Also, logging should include appropriate information to facilitate monitoring of such significant system events.

Without an effective method to identify, log, and monitor significant security-relevant events, the district is at increased risk that unauthorized or inappropriate system activity may not be detected.

3.4 Physical security

The district has not fully established physical security controls to ensure protection of technology resources. We noted the following risks:

- Responsibility for physical security of technology resources has not been formally assigned.
- A documented policy for physical access to technology resources, including who can be authorized access to restricted or sensitive areas, has not been established.
- Procedures for allowing temporary or guest access (contractors and vendors for example) to technology resources, such as escort and sign-in procedures, were not documented.

The effectiveness of physical security controls depends on the effectiveness of the organization's policies and practices pertaining to the overall facility and to areas housing sensitive information technology components. Without adequate physical security controls, the district is at risk the physical infrastructure of the computer network could be accidentally or maliciously damaged, destroyed, or lost; causing significant issues for the district.



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3.5 Documentation of security controls

The district has not documented policies and procedures for certain security controls.

According to the GAO standards for internal control, control activities are an integral part of an organization's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives and helps ensure that actions are taken to reasonably address risks. The following control activities, including policies and procedures, have not been fully documented:

- Resetting lost or compromised passwords.
- Requesting and receiving approval for system access.
- Policies describing who may be granted privileged access to district systems.
- Notifying security administrators of the need to disable accounts for users terminating employment.
- Policies describing how to disable accounts for users terminating employment.
- Periodically reviewing user access to data and other information resources.

According to accepted standards, documentation of all aspects of computer support and operations is important to ensure continuity and consistency. Formalizing operational practices and procedures with sufficient detail helps to eliminate security lapses and oversights, gives new personnel sufficiently detailed instructions, and provides a quality assurance function to help ensure that operations will be performed correctly and efficiently.

Without documented and approved policies and procedures, management may not have assurance that control activities are appropriate and properly applied.

Recommendations

The district:

- 3.1 Formally appoint a security administrator who is responsible for developing and maintaining district security policies and procedures.
- 3.2 Fully establish access control policies and procedures by implementing logon banners for district systems to indicate appropriate use and by establishing security controls limiting the number of concurrent sessions for a single user.



Waynesville R-VI School District Student Data Governance Management Advisory Report - State Auditor's Findings

Auditee's Response

- 3.3 Establish and document criteria for identifying which security events should be written to audit logs and monitored and investigated as security incidents.
- 3.4 Formally document responsibility for physical protection of technology resources and develop policies and procedures to effectively restrict physical access.
- 3.5 Fully document and periodically review security policies and procedures.
- 3.1 *The district concurs with the recommendation and the administrator has been appointed by the Superintendent.*
- 3.2 *The district concurs with the recommendation and has implemented logon banners for district systems. The district is evaluating options for limiting concurrent sessions and will have a system in place by July 2016.*
- 3.3 *The district concurs with the recommendation and will create and implement a security auditing and response procedure by July 2016.*
- 3.4 *The district concurs with the recommendation and has assigned the responsibility to the Coordinator of Technology Services. Policies and procedures for physical access will be developed and implemented by July 2016.*
- 3.5 *The district concurs with the recommendations and will fully document security policies and procedures by July 2016. The policies and procedures will be reviewed annually.*

4. Incident Response and Continuity Planning

The district has not taken all necessary measures to protect data in the event of a breach or other disruptive incident. The district does not have a complete incident response plan, has not adopted a formal data breach response policy, and has not fully documented and tested a continuity plan.

4.1 Incident response documentation

The district has not formally documented policies and procedures for responding to security incidents.

According to accepted standards, a security incident is an occurrence that actually or potentially jeopardizes the confidentiality, integrity, or availability of an information system or the information the system processes, stores, or transmits or that constitutes a violation or imminent threat of violation of security policies, security procedures, or acceptable



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use policies. After an incident has been identified, appropriate action should be taken to identify and remedy the control weakness that allowed the violation to occur, repair any damage that has been done, and determine and discipline the perpetrator. It is important that an organization have formal written procedures for reporting security violations or suspected violations to a central security management office so that multiple related incidents can be identified, other employees alerted to potential threats, and appropriate investigations can be performed.

Without prompt and appropriate responses to security incidents, violations could continue to occur and cause damage to an organization's resources indefinitely. Further, violators will not be deterred from continuing inappropriate access activity, which could result in disclosure of confidential information and financial losses.

4.2 Data breach response policy

The district has not established a comprehensive data breach response policy. Implementing a data breach response policy is an essential step in protecting the privacy of student data.

A data breach is a security incident in which sensitive or confidential data, such as PII, has potentially been accessed, stolen, or used by an unauthorized individual. While the Family Educational Rights and Privacy Act (FERPA) does not contain specific breach notification requirements, the law requires recording of each data disclosure incident in the applicable record. However, the U.S. Department of Education, PTAC recommends all educational organizations create a data breach response policy, approved by the organization's leadership, that is germane to its environment. The policy should establish goals for the response process and include the definition of a breach, staff roles and responsibilities, as well as reporting, remediation, and feedback mechanisms. The policy should be well publicized and made easily available to all personnel whose duties involve data privacy and security protection.

Documenting and formalizing operational practices and procedures with sufficient detail helps to eliminate security lapses and oversights, gives new personnel sufficiently detailed instructions, and provides a quality assurance function to help ensure operations will be performed correctly and efficiently, according to accepted standards.

Without a comprehensive data breach response policy, management may not be sufficiently equipped to respond quickly and effectively in the event of a breach, increasing the risk of potential harm to affected individuals.

4.3 Continuity planning

The district has not documented and tested a complete continuity plan. Individuals responsible for carrying out those duties have not received formal training.



Waynesville R-VI School District Student Data Governance Management Advisory Report - State Auditor's Findings

Elements of a continuity plan the district has not documented include:

- Priorities and procedures for the restoration of critical systems and data.
- Identification of persons responsible for restoration of specific systems and data.
- Formal identification of the resources and data included in the district's backups.

Additionally, while the district does backup data on a regular basis, a comprehensive test of backups to ensure that data can be successfully recovered in the event of a disaster has not been performed.

According to accepted standards, a continuity plan or suite of related plans should be developed for restoring critical business functions and applications. The plans should include arrangements for alternative processing facilities in case the usual facilities are significantly damaged or cannot be accessed. Staff should be trained and aware of their responsibilities to prevent, mitigate, and respond to emergency situations. For example, information security support staff should receive periodic training in emergency fire, water, and alarm incident procedures; and specific responsibilities for initiating and running an alternate data processing site.

Additionally, testing continuity plans is essential to determining whether the plans will function as intended in an emergency situation. The most useful scenarios involve simulating a disaster situation to test overall service continuity. Such an event would include testing whether the alternative data processing site will function as intended and whether critical computer data and programs recovered from off-site storage are accessible and current. Moreover, tests will assess how well employees have been trained to carry out their roles and responsibilities in a disaster situation. Any testing of continuity plans is likely to identify weaknesses in the plan, and it is important that the plan and related supporting activities, such as training, be revised to address these weaknesses. Otherwise, the benefits of the testing will be mostly lost.

District personnel provided auditors a draft of a newly developed continuity plan at the conclusion of audit fieldwork, indicating the district is making progress; however, the plan had not been formally approved, adopted, or tested. Without a tested and functional continuity plan, management has limited assurance the organization's business functions and computer processing can be sustained during or promptly resumed after a disruptive incident.



Waynesville R-VI School District Student Data Governance Management Advisory Report - State Auditor's Findings

Recommendations

The district:

- 4.1 Establish and document an incident response plan that includes centrally tracking all security incidents.
- 4.2 Formally document and adopt a comprehensive data breach response policy to promote an appropriate response in the event of a breach of protected student data.
- 4.3 Complete the process of developing a comprehensive continuity plan and formally assign responsibilities for development, implementation, and maintenance of the plan to appropriate personnel. Once established, ensure the plan is tested on a periodic basis.

Auditee's Response

- 4.1 *The district concurs with the recommendation and has created an incident response plan.*
- 4.2 *The district concurs with the recommendation and has created a data breach response procedure.*
- 4.3 *The district concurs with the recommendation and will develop a continuity plan by July 2016.*

5. Security Awareness Program

The district has not established a formal security and privacy awareness training program. As education organizations implement more powerful information systems and become more reliant on electronic data, proactive security awareness programs become a priority. Uninformed users are a major threat to data security in education organizations.

According to accepted standards, the purpose of computer security awareness, training, and education is to (1) enhance security by improving awareness of the need to protect system resources and developing skills and knowledge so computer users can perform their jobs more securely; and (2) build in-depth knowledge, as needed, to design, implement, or operate security programs for organizations and systems. Additionally, guidance from the U.S. Department of Education, PTAC encourages organizations to provide security training on a recurring basis, communicate privacy policies to users, and define a process for reporting privacy incidents and complaints.

Making computer system users aware of their security responsibilities and teaching them correct practices helps users change their behavior. Awareness training also supports individual accountability, which is one of the most important ways to improve computer security. With proper security and privacy awareness training and clear communication of data and device



Waynesville R-VI School District Student Data Governance Management Advisory Report - State Auditor's Findings

use policies, employees can become the first line of defense against cybersecurity incidents. However, without adequate training, users may not understand system security risks and their role in implementing related policies and controls to mitigate those risks.

Recommendation

The district establish a formal security and privacy awareness training program.

Auditee's Response

The district concurs with the recommendation. A security and privacy awareness training program will be mandatory for all staff prior to the beginning of the school year.

6. Vendor Monitoring

The district has not established a process for ensuring software acquired or outsourced from information technology vendors complies with data security principles.

The district utilizes software products from a number of vendors to manage financial information, human resources data, student data, and other information. Generally, the district pays an annual licensing/maintenance fee for these products. Depending on the arrangement, some products are installed on district-owned equipment and maintained by district personnel (with additional support from the vendor), while others are hosted and maintained directly by the vendor. In this case, district personnel access the system remotely, typically via a secure website.

We reviewed contracts for several systems or software products used by the district. Although the specific language varied, each contract had a clause stating the vendor would provide appropriate security functionality for the district. However, district staff indicated they had not asked any vendors to provide documentation that their product's security functionality met generally accepted industry standards.

Accepted standards require organizations to periodically review the overall performance of vendors, compliance to contract requirements, and value for money, and address identified issues. Without an effective process for monitoring and managing risk of software acquisition or outsourcing, the district has less assurance in a vendor's ability to deliver services effectively, securely, and reliably and to ensure that services meet current and future data privacy and security needs.

Recommendation

The district should develop procedures to formally monitor information technology vendors to ensure the district's data is properly protected and the vendor acts in accordance with contract terms and conditions.

Auditee's Response

The district concurs with the recommendation and will include in the district data governance plan.

Waynesville R-VI School District Student Data Governance Organization and Statistical Information

The Waynesville R-VI School District is located in Pulaski County.

The district operates a senior high school (grades 9-12), a middle school (grades 7-8), a sixth-grade center, five elementary schools (grades K-5 in various configurations), an early childhood center, and a career center. Enrollment was 5,795 for the 2015-2016 school year. The district employed 879 full- and part-time employees at December 31, 2015.

School Board and Key Personnel

An elected school board serves as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at December 31, 2015, were:

Dr. LeRoy Fulmer, President
Butch O'Riley, Vice President
Lisa Schwandt, Secretary
Dorsey Newcomb, Treasurer
Andy Anderson, Member
Mike Keeling, Member
Paul Shultz II, Member

Dr. Brian Henry serves as District Superintendent. Dr. Trish Adkins is the Assistant Superintendent for Instructional Services, and Mike Henson is the Director of Instructional Media and Technology Services.



Nicole Galloway, CPA
Missouri State Auditor

INSURANCE, FINANCIAL INSTITUTIONS, AND PROFESSIONAL REGISTRATION

Insurance



May 2016

Report No. 2016-026

<http://auditor.mo.gov>



CITIZENS SUMMARY

Findings in the audit of the Department of Insurance, Financial Institutions, and Professional Registration - Insurance

Background	The Department of Insurance, Financial Institutions, and Professional Registration-Insurance (DIFP-Insurance) regulates and licenses the insurance industry in Missouri; ensures the insurance industry is financially sound, trustworthy, competent, and responsive to the insurance-buying public; and ensures the insurance industry complies with state law.
Insurance Dedicated Fund Expenditures	In fiscal years 2014 and 2015, costs incurred by the Department of Health and Senior Services (DHSS) were paid from the Insurance Dedicated Fund, a fund restricted by state law solely for payment of expenditures incurred by DIFP-Insurance. Section 374.150.3, RSMo, authorizes an annual transfer of \$500,000 from the Insurance Dedicated Fund to the General Revenue Fund beginning in fiscal year 2014, but no transfers were appropriated or made as of June 30, 2015. DIFP-Insurance personnel indicated that \$500,000 in fiscal year 2014 and \$1 million in fiscal year 2015 was appropriated to and expended by the DHSS from the Insurance Dedicated Fund in place of the authorized transfers. However, the \$1 million expended in fiscal year 2015 was \$500,000 more than the transfer allowed by state law, and another \$1 million has been appropriated to DHSS from the fund for fiscal year 2016, again exceeding the transfer of \$500,000 allowed by law.
Examination Tax Credit	As noted in previous audit reports, Missouri is one of only five states that allow insurance companies to receive tax credits for examination costs, thereby shifting a significant portion of examination costs from insurance companies to the state's General Revenue Fund. During the 10 years ended December 31, 2014, examination credits of approximately \$24 million were redeemed. To maximize state revenue, examination costs should be paid by companies as part of doing business in the state.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Department of Insurance, Financial Institutions, and Professional Registration - Insurance

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
John M. Huff, Director
Department of Insurance, Financial Institutions,
and Professional Registration
Jefferson City, Missouri

We have audited certain operations of the Department of Insurance, Financial Institutions, and Professional Registration - Insurance, in fulfillment of our duties under Chapters 29 and 374, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2015, 2014, and 2013. The objectives of our audit were to:

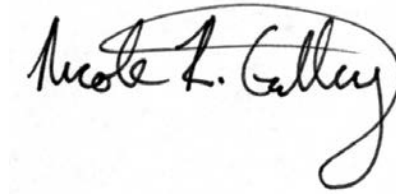
1. Evaluate the department's internal controls over significant management and financial functions.
2. Evaluate the department's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) noncompliance with a legal provision, and (3) no significant deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Insurance, Financial Institutions, and Professional Registration - Insurance.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Department of Insurance, Financial Institutions, and Professional Registration - Insurance

Management Advisory Report - State Auditor's Findings

1. Insurance Dedicated Fund Expenditures

In fiscal years 2015 and 2014, costs incurred by the Department of Health and Senior Services (DHSS) were paid from the Insurance Dedicated Fund. State law requires appropriations from the Insurance Dedicated Fund to be used solely for the payment of expenditures incurred by the Department of Insurance, Financial Institutions, and Professional Registration (DIFP)-Insurance.

Using funding appropriated in the department's approved budgets, the DHSS spent \$1 million during the year ended June 30, 2015, and \$500,000 during the year ended June 30, 2014, from the Insurance Dedicated Fund for the costs of maintaining and operating a poison control hotline. In addition, the DHSS received appropriations of \$1 million from this fund in the department's budget for the year ended June 30, 2016.

Section 374.150.3, RSMo, authorizes an annual transfer of \$500,000 from the Insurance Dedicated Fund to the General Revenue Fund beginning in fiscal year 2014; however, no transfers have been appropriated or made as of June 30, 2015. DIFP-Insurance personnel indicated the appropriations to the DHSS were made in place of the transfers to the General Revenue Fund. However, in fiscal years 2015 and 2016, the appropriations made to the DHSS were \$1 million annually, or \$500,000 more than the annual statutorily allowed transfer amount.

The Insurance Dedicated Fund is authorized by Section 374.150.1, RSMo, to receive all fees due to the state under the provisions of the insurance laws. Section 374.150.2, RSMo, provides, in part, that the Insurance Dedicated Fund shall be devoted solely to the payment of expenditures incurred by the DIFP-Insurance attributable to duties performed by the department for the regulation of the business of insurance, regulation of health maintenance organizations, and the operation of the division of consumer affairs. Notwithstanding other provisions on this section to the contrary, Section 374.150.3, RSMo, permits \$500,000 of the fund to be transferred to general revenue. The General Assembly should evaluate the restrictions on the purpose of the Insurance Dedicated Fund before appropriating monies from the fund.

Recommendation

The DIFP-Insurance work with the General Assembly to ensure all appropriated disbursements from the Insurance Dedicated Fund are reasonable and proper and relate to the overall function of the department.

Auditee's Response

DIFP-Insurance will continue to work with the General Assembly to ensure that DIFP-Insurance's appropriation authorizes the department to make reasonable and proper expenditures that relate to the overall function of the department.



2. Examination Tax Credit

Missouri is one of only five states to allow insurance companies to receive tax credits for examination costs, resulting in a significant portion of examination costs being borne by the state instead of insurance companies. According to DIFP-Insurance officials, North Dakota, Alabama, Utah, and Texas are the other four states that offer tax credits similar to Missouri.

Chapter 374, RSMo, requires the DIFP-Insurance to examine insurance companies on a predetermined basis and to bill the insurance companies for the costs of these examinations. However, Section 148.400, RSMo, allows insurance companies to deduct the entire cost of examinations from premium taxes owed to the state and carry forward unused credits for 5 years. According to documentation obtained from the DIFP-Insurance, examination tax credits of approximately \$24.3 million were redeemed during the 10 years ended December 31, 2014. Included in this amount is \$2,485,235 redeemed in 2012, \$1,787,429 redeemed in 2013, and \$2,611,819 redeemed in 2014. To maximize state revenue, examination costs should be paid by companies as part of doing business in the state.

A similar condition was noted in our four prior reports.

Recommendation

The DIFP-Insurance work with the General Assembly to reduce or eliminate the examination tax credit for insurance companies.

Auditee's Response

DIFP-Insurance will continue to track and provide information on the examination tax credit to the General Assembly as required under the Tax Credit Accountability Act, Sections 135.800 – 135.830, RSMo. In 2014 a tax credit reform bill (HB 2133) was introduced containing an amendment to Section 148.400, RSMo. The bill was not enacted.

Department of Insurance, Financial Institutions, and Professional Registration - Insurance

Organization and Statistical Information

The Missouri Division of Insurance was created by an act of the Missouri Legislature in 1869. With the enactment of the state Omnibus Reorganization Act of 1974, the agency was transferred to the Department of Consumer Affairs, Regulation and Licensing. Constitutional Amendment No. 6 passed in August 1984, changed the name of the Department of Consumer Affairs, Regulation and Licensing to the Department of Economic Development, effective September 7, 1984. Constitutional Amendment No. 4, passed in August 1990, created a new Department of Insurance, effective July 1, 1991. Executive Order 06-04 consolidated the former Department of Insurance, the Division of Finance, the State Banking Board, the Division of Credit Unions, and the Division of Professional Registration into one department and changed the name of the department to the Missouri Department of Insurance, Financial Institutions, and Professional Registration (DIFP), effective August 28, 2006.

The DIFP-Insurance operates under the authority of Chapter 374, RSMo. The management and control of the DIFP is vested in a director who is appointed by the Governor with the advice and consent of the Senate. John Huff was appointed Director on February 9, 2009, and continues to serve in that capacity.

When the agency was organized in 1869, 51 domestic and 120 foreign insurance companies were licensed in Missouri. As of June 30, 2015, there were 228 domestic and 1,749 foreign insurance companies licensed in Missouri. Insurers with primary corporate headquarters located in a particular state are called domestic insurers. Foreign insurers are those that are allowed to sell insurance in a state but have a primary legal residence in another state.

The DIFP-Insurance regulates the insurance industry in the state through enforcement of Chapters 325, 354, and 374 through 385, RSMo. The department regulates and licenses the insurance industry in the state; ensures the insurance industry is financially sound, trustworthy, competent, and responsive to the insurance-buying public; and ensures the insurance industry complies with the laws of the state. To fulfill these responsibilities, the department maintains a central office in Jefferson City and branch offices in St. Louis and Kansas City. The DIFP-Insurance is organized into the following functional units: Insurance Company Regulation Division, Insurance Market Regulation Division, Insurance Consumer Affairs Division, and Administration Division. The DIFP-Insurance had 198 employees as of June 30, 2015.

The DIFP-Insurance administers transactions in the funds listed below.

The Insurance Examiner's Fund is authorized by Section 374.160 and 374.162, RSMo, to receive all monies paid to the state by insurance



Department of Insurance, Financial Institutions, and
Professional Registration - Insurance
Organization and Statistical Information

companies for the costs incurred by the department in conducting examinations, valuations, or proceedings against such companies.

Expenditures, authorized by appropriations, are to be used for the purpose of paying the compensation of insurance examiners and expenses directly related to examinations. Any unexpended balances in this fund are perpetually maintained for the purposes of this fund.

The Insurance Dedicated Fund is authorized by Section 374.150, RSMo, to receive all fees due to the state under the provisions of the insurance laws. Appropriations from this fund are to be used solely for payment of expenditures incurred by the department in performing the duties required by law that are not paid for by another source of funds. Any unexpended balance in this fund is perpetually maintained for the purposes of this fund unless the unencumbered balance at the close of the biennium year exceeds two times the total amount appropriated, paid, or transferred to the fund during such fiscal year.

The DIFP-Insurance administers programs financed partially by federal monies maintained in the state treasury in the Federal Missouri Department of Insurance (MDI) Fund. Appropriations from this fund authorize disbursements of the department's federal monies.

The DIFP Administrative Fund is used to account for department-wide expenditures for budget, legislative coordination, public information, accounting, human resources, and department management. The fund receives monies through a cost allocation to the divisions within DIFP.

The DIFP-Insurance does not receive any appropriations from the General Revenue Fund and does not maintain any proprietary interest in this fund. Receipts collected by the Department of Revenue (DOR) on behalf of the department and deposited into the state's General Revenue Fund include the following:

- Foreign Companies Premium Taxes: In accordance with various provisions of Chapter 148, RSMo, foreign insurance companies licensed in the state are required to pay a 2 percent tax on direct premiums received during the calendar year. The department certifies to the DOR the amount of premium taxes due together with the amount of quarterly installments to be paid by the insurance companies. The DOR collects the premium taxes and deposits them into the General Revenue Fund. Some premium taxes deposited into the General Revenue Fund are not available for general revenue purposes. The provisions of Chapter 148, RSMo, restrict about 50 percent of such premium taxes for distribution to the various school districts in the state.



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- **Captive Insurance Premium Taxes:** In accordance with various provisions of Chapter 379, RSMo, captive insurance companies licensed in the state are required to pay a premium tax at the rate of thirty-eight-hundredths of 1 percent on the first \$20 million and two hundred eighty-five-thousandths of 1 percent on the next \$20 million and nineteen-hundredths of 1 percent on the next \$20 million dollars and seventy-two-thousandths of 1 percent on each dollar thereafter on the direct premiums received during the calendar year. The department certifies to the DOR the amount of premium taxes due for collection and deposit to the General Revenue Fund.
- **Special Purpose Life Insurance Captive (SPLRC) Premium Taxes:** In accordance with various provisions of Chapter 379, RSMo, each SPLRC is required to pay a premium tax at the rate of two hundred fourteen thousandths of 1 percent on the first \$20 million of assumed reinsurance premium, and one hundred forty-three thousandths of 1 percent on the next \$20 million, and forty-eight thousandths of 1 percent on the next \$20 million, and twenty-four thousandths of 1 percent of each dollar thereafter on the direct premiums received during the calendar year. The department certifies to the DOR the amount of premium taxes due for collection and deposit to the General Revenue Fund.
- **Surplus Lines:** In accordance with the various provisions of Chapter 384, RSMo, surplus lines insurers are required to pay a 5 percent tax on net premiums for high risk insurance that is underwritten. The DOR collects the surplus lines taxes and deposits them into the General Revenue Fund.

In accordance with Section 287.690, RSMo, on October 31 of each year, the director of the Division of Workers' Compensation estimates the amount of revenue required to administer this chapter and determines the rate of tax for the following calendar year based on that estimate as well as the estimated December 31 balance of the fund. The tax, which is imposed upon all insurance companies providing workers' compensation insurance coverage and authorized self-insurers, shall not exceed 2 percent in lieu of all other taxes on the workers' compensation net deposits, net premiums, or net assessments. The DOR collects these taxes and deposits them into the Workers' Compensation Fund.

The department certifies to the DOR all penalties and interest due as a result of late payments of surplus lines taxes. The DOR collects the penalties and interest and deposits the amounts into the State School Moneys Fund. In addition, fines and forfeitures imposed and collected by the department under the Missouri Insurance Code are deposited into the State School Moneys Fund.



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In accordance with Sections 148.320 and 148.330, RSMo, domestic insurance companies licensed in the state are required to pay a 2 percent tax on direct premiums received during the calendar year. The department certifies to the DOR the amount of premium taxes due together with the amount of quarterly installments to be paid by the insurance companies. The DOR collects the premium taxes and deposits them into the Financial Institutions Tax Fund.

The DIFP-Insurance is authorized to administer Missouri chartered insurance companies requiring rehabilitation or liquidation, commonly referred to as receiverships. Sixteen insurance companies were in receivership during the 3 years ended December 31, 2014. Five of these receiverships were closed as of December 31, 2014. Companies placed into receivership are under circuit court supervision with the judge appointing the Director as receiver. The Director may appoint a special deputy receiver or agent. There are seven companies that do not have a special deputy receiver assigned to them. The department handles the day-to-day operations for one company and has contracted with vendors to act as agents for the other six companies. The nine remaining companies were assigned special deputy receivers by the court, and these special deputy receivers directly supervise the companies. The contracted vendors and the special deputy receivers submit disbursements to DIFP-Insurance for approval. The financial activity of the 16 companies in receivership is presented in Appendix E for the 3 years ended December, 31, 2014.

According to the National Association of Insurance Commissioners (NAIC), for calendar year 2014, Missouri ranked 13th nationally in the number of insurance companies incorporated in the state. The department's budget for fiscal year 2015 ranked 25th nationally.

The following table provides a breakdown of the type of companies licensed in the state.



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Type of Company	As of June 30, 2015	
	Missouri Domicile	Foreign
Captive	47	1
Domestic Surplus Lines Insurer	2	0
Fraternal Benefit	1	28
Health Maintenance Organization	14	9
Health Services	1	0
Life and Health	26	460
Mutual Property	82	0
Prepaid Dental	6	9
Professional Malpractice	5	0
Property and Casualty	43	876
Reinsurer	0	349
Title	1	17
Total	228	1,749

Appendix A-1

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
Year Ended June 30, 2015

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	DIFP Administrative Fund	Total (Memorandum Only)
RECEIPTS					
Federal grant	\$ 1,386,158	0	0	0	1,386,158
Recovery costs	0	4,635,688	9,930	0	4,645,618
County foreign insurance tax	0	0	194,228	0	194,228
Producers	0	0	7,808,075	0	7,808,075
Business entities	0	0	1,575,692	0	1,575,692
Filing fees	0	0	842,513	0	842,513
Service contract fees	0	0	116,100	0	116,100
Insurance regulation fees	0	0	2,435,554	0	2,435,554
Miscellaneous insurance fees	0	0	91,690	0	91,690
DIFP - department administration	0	0	0	273,818	273,818
Other	0	109	43,670	15	43,794
Interest	0	0	73,452	0	73,452
Total Receipts	<u>1,386,158</u>	<u>4,635,797</u>	<u>13,190,904</u>	<u>273,833</u>	<u>19,486,692</u>
DISBURSEMENTS					
Personal service	140,298	3,140,071	7,597,528	157,150	11,035,047
Employee fringe benefits	67,255	1,248,531	3,371,719	64,010	4,751,515
Expense and equipment	11,720	387,019	1,484,457	53,258	1,936,454
Refunds	0	28,859	22,221	0	51,080
State office building rent, maintenance, and repair	0	85,045	320,734	0	405,779
Worker's compensation claims	0	0	9,694	0	9,694
DIFP - department administration	0	0	19,559	0	19,559
Cost allocation plan	0	44,700	113,908	0	158,608
Unemployment benefits	0	0	11,961	0	11,961
Health insurance counseling	1,166,682	0	200,000	0	1,366,682
Insurance leasing	0	10,834	6,335	0	17,169
Poison control hotline	0	0	1,000,000	0	1,000,000
Total Disbursements	<u>1,385,955</u>	<u>4,945,059</u>	<u>14,158,116</u>	<u>274,418</u>	<u>20,763,548</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>203</u>	<u>(309,262)</u>	<u>(967,212)</u>	<u>(585)</u>	<u>(1,276,856)</u>
TRANSFERS					
Transfer to Damaged Infrastructure Fund	0	0	(10,000,000)	0	(10,000,000)
Total Transfers	<u>0</u>	<u>0</u>	<u>(10,000,000)</u>	<u>0</u>	<u>(10,000,000)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	<u>203</u>	<u>(309,262)</u>	<u>(10,967,212)</u>	<u>(585)</u>	<u>(11,276,856)</u>
CASH AND INVESTMENTS, JULY 1	0	969,617	16,083,705	587	17,053,909
CASH AND INVESTMENTS, JUNE 30	<u>\$ 203</u>	<u>660,355</u>	<u>5,116,493</u>	<u>2</u>	<u>5,777,053</u>

Appendix A-2

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
Year Ended June 30, 2014

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	DIFP Administrative Fund	Total (Memorandum Only)
RECEIPTS					
Federal grant	\$ 1,481,306	0	0	0	1,481,306
Recovery costs	0	4,648,233	230	0	4,648,463
County foreign insurance tax	0	0	160,886	0	160,886
Producers	0	0	7,521,280	0	7,521,280
Business entities	0	0	1,541,732	0	1,541,732
Filing fees	0	0	885,616	0	885,616
Service contract fees	0	0	119,000	0	119,000
Insurance regulation fees	0	0	2,804,144	0	2,804,144
Miscellaneous insurance fees	0	0	93,380	0	93,380
DIFP - department administration	0	0	0	257,245	257,245
Other	3	21	8,398	10	8,432
Interest	0	0	86,812	0	86,812
Total Receipts	<u>1,481,309</u>	<u>4,648,254</u>	<u>13,221,478</u>	<u>257,255</u>	<u>19,608,296</u>
DISBURSEMENTS					
Personal service	247,388	3,072,971	7,169,757	152,028	10,642,144
Employee fringe benefits	117,826	1,196,689	3,103,363	62,420	4,480,298
Expense and equipment	10,128	257,233	1,452,262	42,168	1,761,791
Refunds	0	0	13,368	0	13,368
State office building rent, maintenance, and repair	0	71,540	353,536	0	425,076
Worker's compensation claims	0	0	1,962	0	1,962
DIFP - department administration	0	0	19,616	0	19,616
Cost allocation plan	0	46,102	120,418	0	166,520
Unemployment benefits	0	0	1,391	73	1,464
Health insurance counseling	1,108,370	0	200,000	0	1,308,370
Insurance leasing	0	535	6,891	0	7,426
Poison control hotline	0	0	500,000	0	500,000
Total Disbursements	<u>1,483,712</u>	<u>4,645,070</u>	<u>12,942,564</u>	<u>256,689</u>	<u>19,328,035</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(2,403)</u>	<u>3,184</u>	<u>278,914</u>	<u>566</u>	<u>280,261</u>
CASH AND INVESTMENTS, JULY 1	<u>2,403</u>	<u>966,433</u>	<u>15,804,791</u>	<u>21</u>	<u>16,773,648</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 0</u>	<u>969,617</u>	<u>16,083,705</u>	<u>587</u>	<u>17,053,909</u>

Appendix A-3

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
Year Ended June 30, 2013

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	DIFP Administrative Fund	Total (Memorandum Only)
RECEIPTS					
Federal grant	\$ 1,665,889	0	0	0	1,665,889
Recovery costs	0	4,622,754	5,478	0	4,628,232
County foreign insurance tax	0	0	157,829	0	157,829
Producers	0	0	7,035,750	0	7,035,750
Business entities	0	0	1,437,730	0	1,437,730
Filing fees	0	0	734,970	0	734,970
Service contract fees	0	0	105,100	0	105,100
Insurance regulation fees	0	0	2,105,145	0	2,105,145
Miscellaneous insurance fees	0	0	90,660	0	90,660
DIFP - department administration	0	0	0	260,369	260,369
Other	7	0	24,360	20	24,387
Interest	0	0	98,850	0	98,850
Total Receipts	1,665,896	4,622,754	11,795,872	260,389	18,344,911
DISBURSEMENTS					
Personal service	429,189	3,118,036	6,897,558	153,374	10,598,157
Employee fringe benefits	192,163	1,143,736	2,849,484	58,648	4,244,031
Expense and equipment	31,311	281,231	1,106,852	49,356	1,468,750
Refunds	0	0	16,310	0	16,310
State office building rent, maintenance, and repair	0	33,579	368,521	0	402,100
Worker's compensation claims	0	0	568	0	568
DIFP - department administration	0	0	19,700	0	19,700
Cost allocation plan	0	65,298	153,128	0	218,426
Unemployment benefits	0	0	10,234	304	10,538
Health insurance counseling	1,011,029	0	200,000	0	1,211,029
Insurance leasing	0	0	7,274	0	7,274
Total Disbursements	1,663,692	4,641,880	11,629,629	261,682	18,196,883
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,204	(19,126)	166,243	(1,293)	148,028
CASH AND INVESTMENTS, JULY 1	199	985,559	15,638,548	1,314	16,625,620
CASH AND INVESTMENTS, JUNE 30	\$ 2,403	966,433	15,804,791	21	16,773,648

Appendix B

Department of Insurance, Financial Institutions, and Professional Registration - Insurance Comparative Statement of Receipts

	Year Ended June 30,		
	2015	2014	2013
GENERAL REVENUE FUND			
Foreign companies premium taxes	\$ 237,443,890	201,143,498	189,812,584
Captive insurance taxes	668,771	631,686	598,390
Special purpose life insurance	1,086,784	816,386	822,069
Surplus lines taxes	29,713,178	28,719,999	26,311,783
Total General Revenue Fund	<u>\$ 268,912,623</u>	<u>231,311,569</u>	<u>217,544,826</u>
WORKERS' COMPENSATION FUND			
Workers' compensation taxes	<u>\$ 17,199,724</u>	<u>15,700,482</u>	<u>14,058,446</u>
STATE SCHOOL MONEYS FUND			
Surplus lines penalties	\$ 44,805	26,883	39,658
Fines and forfeitures	6,599,315	2,076,945	4,541,906
Total State School Moneys Fund	<u>\$ 6,644,120</u>	<u>2,103,828</u>	<u>4,581,564</u>
FINANCIAL INSTITUTIONS TAX FUND			
Domestic companies premium taxes	<u>\$ 9,576,175</u>	<u>9,029,881</u>	<u>9,616,186</u>

Appendix C

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
Comparative Statement of Appropriations and Expenditures

		Year Ended June 30,								
		2015			2014			2013		
		Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
FEDERAL - MDI FUND										
Health Insurance Counseling	\$	1,250,000	1,166,682	83,318	1,250,000	1,108,370	141,630	1,250,000	1,011,029	238,971
Federal Grants Personal Service		466,212	140,298	325,914	458,837	247,388	211,449	985,854	429,189	556,665
Federal Grants Expense and Equipment		64,511	11,720	52,791	64,511	10,128	54,383	430,944	31,311	399,633
Total Federal - MDI Fund		1,780,723	1,318,700	462,023	1,773,348	1,365,886	407,462	2,666,798	1,471,529	1,195,269
DIFP ADMINISTRATIVE FUND										
Personal Service		243,841	157,150	86,691	199,690	152,028	47,662	240,117	153,374	86,743
Expense and Equipment		64,972	53,258	11,714	62,972	42,168	20,804	65,490	49,356	16,134
Unemployment Benefits		283	0	283	283	73	210	305	304	1
Total DIFP Administrative Fund		309,096	210,408	98,688	262,945	194,269	68,676	305,912	203,034	102,878
INSURANCE EXAMINERS FUND										
Personal Service		3,288,529	3,140,071	148,458	3,262,900	3,072,971	189,929	3,251,758	3,118,036	133,722
Expense and Equipment		887,002	387,019	499,983	887,002	257,233	629,769	887,002	281,231	605,771
Refunds		60,000	28,859	31,141	60,000	0	60,000	60,000	0	60,000
Insurance Leasing		12,832	10,834	1,998	536	535	1	0	0	0
Unemployment Benefits		8,320	0	8,320	8,320	0	8,320	8,320	0	8,320
State Office Building Rent, Maintenance, and Repair		85,653	85,045	608	71,540	71,540	0	36,328	33,579	2,749
Total Insurance Examiners Fund		4,342,336	3,651,828	690,508	4,290,298	3,402,279	888,019	4,243,408	3,432,846	810,562
INSURANCE DEDICATED FUND										
Personal Service		7,826,918	7,597,528	229,390	7,669,441	7,169,757	499,684	7,574,263	6,897,558	676,705
Expense and Equipment		2,341,989	1,484,457	857,532	2,317,493	1,452,262	865,231	2,308,398	1,106,852	1,201,546
Unemployment Benefits		19,852	11,961	7,891	19,852	1,391	18,461	19,852	10,234	9,618
Insurance Leasing		6,339	6,335	4	7,183	6,891	292	7,737	7,274	463
Health Insurance Counseling		200,000	200,000	0	200,000	200,000	0	200,000	200,000	0
State Office Building Rent, Maintenance, and Repair		323,025	320,734	2,291	358,285	353,536	4,749	433,546	368,521	65,025
Poison Control Hotline*		1,000,000	1,000,000	0	500,000	500,000	0	0	0	0
Refunds		75,000	22,221	52,779	75,000	13,368	61,632	75,000	16,310	58,690
Total Insurance Dedicated Fund		11,793,123	10,643,236	1,149,887	11,147,254	9,697,205	1,450,049	10,618,796	8,606,749	2,012,047
Total All Funds	\$	18,225,278	15,824,172	2,401,106	17,473,845	14,659,639	2,814,206	17,834,914	13,714,158	4,120,756

* The Department of Health and Senior Services has spending authority for this appropriation.

Appendix D

Department of Insurance, Financial Institutions, and Professional Registration - Insurance Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,		
	2015	2014	2013
Salaries and wages	\$ 11,035,047	10,642,144	10,598,157
Travel, in-state	143,944	133,777	148,237
Travel, out-of-state	321,835	160,136	160,799
Supplies	216,598	271,089	256,530
Professional development	138,212	152,168	124,124
Communication service and supplies	146,836	145,335	125,051
Services:			
Professional	527,134	527,901	293,404
Housekeeping and janitorial	166	98	523
Maintenance and repair	151,422	126,907	162,210
Equipment:			
Computer	173,129	68,819	33,605
Office	45,597	82,156	79,844
Other	17,668	40,248	44,142
Property and improvements	735	22,371	4,071
Building lease payments	434,060	454,621	435,797
Equipment rental and leases	2,580	1,920	2,365
Miscellaneous expenses	39,487	6,746	7,422
Refunds	51,080	13,369	16,310
Program distributions	2,378,642	1,809,834	1,221,567
Total Expenditures	\$ 15,824,172	14,659,639	13,714,158

Appendix E-1

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
Statement of Receipts, Disbursements, and Changes in Cash and Investments
for Active Receiverships
Year Ended December 31, 2014

	Bel-Aire Insurance Company	Casualty Reciprocal Exchange / Equity Mutual Insurance Company	General American Mutual Holding Company	Guarantee Title Insurance Company	Holland America Insurance Company	Lutheran Benevolent Insurance Exchange
Receipts						
Premiums and investment income	\$ 1,431	3,504,632	649,786	2,537	2,339,300	15,226
Net increase (decrease) in reserve balance	0	2,228	0	0	0	0
Net increase (decrease) in the fair value of investments	0	(2,229)	0	1	708	41
Total Receipts	1,431	3,504,631	649,786	2,538	2,340,008	15,267
Disbursements						
Professional fees and expenses	26,310	323,705	376,430	46,696	396,450	70,906
Salaries and related expenses	0	68,295	63,359	0	0	0
General and facility expenses	7,740	49,786	10,699	6,107	0	3,425
Distributions	1,198,858	9,738,769	0	3,000	0	0
Investment expense	0	5,255	0	5,800	0	0
Total Disbursements	1,232,908	10,185,810	450,488	61,603	396,450	74,331
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,231,477)	(6,681,179)	199,298	(59,065)	1,943,558	(59,064)
CASH AND INVESTMENTS, JANUARY 1	1,400,265	40,739,622	2,076,797	1,548,795	28,478,164	1,355,125
CASH AND INVESTMENTS, DECEMBER 31	\$ 168,788	34,058,443	2,276,095	1,489,730	30,421,722	1,296,061

Appendix E-1

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
Statement of Receipts, Disbursements, and Changes in Cash and Investments
for Active Receiverships
Year Ended December 31, 2014

	M&M Companies	Mission Reinsurance Corporation	National States Insurance Company	Ozark Benefit Association Life Insurance Company	Watkins Life and Benefit Association
Receipts					
Premiums and investment income	\$ 47	973,261	15,563,431	21,884	4,257
Net increase (decrease) in reserve balance	0	0	(351,018)	0	0
Net increase (decrease) in the fair value of investments	0	0	538,722	0	0
Total Receipts	47	973,261	15,751,135	21,884	4,257
Disbursements					
Professional fees and expenses	145,173	52,833	302,203	1,359	1,433
Salaries and related expenses	0	0	594,529	0	0
General and facility expenses	0	0	162,070	156	429
Distributions	25,571	0	15,493,058	16,301	90,671
Investment expense	0	0	23,948	0	35
Total Disbursements	170,744	52,833	16,575,808	17,816	92,568
RECEIPTS OVER (UNDER) DISBURSEMENTS	(170,697)	920,428	(824,673)	4,068	(88,311)
CASH AND INVESTMENTS, JANUARY 1	170,697	387,584	12,497,701	53,147	138,672
CASH AND INVESTMENTS, DECEMBER 31	\$ 0	1,308,012	11,673,028	57,215	50,361

Appendix E-2

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
Statement of Receipts, Disbursements, and Changes in Cash and Investments
for Active Receiverships
Year Ended December 31, 2013

	Bel-Aire Insurance Company	Casualty Reciprocal Exchange / Equity Mutual Insurance Company	General American Mutual Holding Company	Guarantee Title Insurance Company	Holland America Insurance Company	Integral Insurance Company	Lutheran Benevolent Insurance Exchange
Receipts							
Premiums and investment income	\$ 7,837	5,739,173	49,119	9,154	378,848	66	844
Net increase (decrease) in reserve balance	0	(348,563)	0	0	0	0	0
Net increase (decrease) in the fair value of investments	0	348,566	0	0	3,847	(1)	0
Total Receipts	7,837	5,739,176	49,119	9,154	382,695	65	844
Disbursements							
Professional fees and expenses	24,248	300,980	1,320,788	17,877	270,329	30,001	95,243
Salaries and related expenses	0	67,420	165,471	17,432	0	0	0
General and facility expenses	7,912	53,721	755,241	10,819	0	8,131	4,083
Distributions	1,231,821	4,824,222	0	0	0	243,983	0
Investment expense	87	5,644	0	5,800	0	0	0
Total Disbursements	1,264,068	5,251,987	2,241,500	51,928	270,329	282,115	99,326
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,256,231)	487,189	(2,192,381)	(42,774)	112,366	(282,050)	(98,482)
CASH AND INVESTMENTS, JANUARY 1	2,656,496	40,252,433	4,269,178	1,591,569	28,365,798	282,050	1,453,607
CASH AND INVESTMENTS, DECEMBER 31	\$ 1,400,265	40,739,622	2,076,797	1,548,795	28,478,164	0	1,355,125

Appendix E-2

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
Statement of Receipts, Disbursements, and Changes in Cash and Investments
for Active Receiverships
Year Ended December 31, 2013

	M&M Companies	Mission Reinsurance Corporation	National States Insurance Company	Ozark Benefit Association Life Insurance Company	Riscorp National Insurance Company	Watkins Life and Benefit Association
Receipts						
Premiums and investment income	\$ 911	181,659	18,182,865	19,252	0	30,867
Net increase (decrease) in reserve balance	0	0	(1,401)	0	0	0
Net increase (decrease) in the fair value of investments	0	0	271,190	0	0	0
Total Receipts	911	181,659	18,452,654	19,252	0	30,867
Disbursements						
Professional fees and expenses	0	45,571	456,243	2,096	17,654	597
Salaries and related expenses	0	0	730,069	0	0	0
General and facility expenses	3,521	0	266,062	247	4,753	2,277
Distributions	48,839	4,477,392	16,641,025	22,150	1,003,821	86,428
Investment expense	0	0	21,752	0	0	145
Total Disbursements	52,360	4,522,963	18,115,151	24,493	1,026,228	89,447
RECEIPTS OVER (UNDER) DISBURSEMENTS	(51,449)	(4,341,304)	337,503	(5,241)	(1,026,228)	(58,580)
CASH AND INVESTMENTS, JANUARY 1	222,146	4,728,888	12,160,198	58,388	1,026,228	197,252
CASH AND INVESTMENTS, DECEMBER 31	\$ 170,697	387,584	12,497,701	53,147	0	138,672

Appendix E-3

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
Statement of Receipts, Disbursements, and Changes in Cash and Investments
for Active Receiverships
Year Ended December 31, 2012

	Bel-Aire Insurance Company	Casualty Reciprocal Exchange / Equity Mutual Insurance Company	General American Mutual Holding Company	Guarantee Title Insurance Company	Holland America Insurance Company	Integral Insurance Company	International Financial Security Life Insurance Company	Lutheran Benevolent Insurance Exchange
Receipts								
Premiums and investment income	\$ 2,178	9,994,822	18,047,304	2,046	103,574	2,395	10,040,513	76,332
Net increase (decrease) in reserve balance	0	6,658	0	0	0	0	0	0
Net increase (decrease) in the fair value of investments	0	(6,657)	(4,066)	0	4,027	1	(64,975)	0
Total Receipts	2,178	9,994,823	18,043,238	2,046	107,601	2,396	9,975,538	76,332
Disbursements								
Professional fees and expenses	23,729	311,410	3,223,726	111,648	411,433	30,583	596,109	92,887
Salaries and related expenses	0	60,092	123,774	47,874	0	0	0	0
General and facility expenses	9,813	49,845	1,706,470	16,854	0	6,747	14,823	26,681
Distributions	0	2,717,764	71,841,060	0	74	6,897,893	18,498,925	0
Investment expense	84	14,474	17,493	5,800	0	2,000	0	0
Income tax	0	0	4,135,000	0	0	0	0	0
Total Disbursements	33,626	3,153,585	81,047,523	182,176	411,507	6,937,223	19,109,857	119,568
RECEIPTS OVER (UNDER) DISBURSEMENTS	(31,448)	6,841,238	(63,004,285)	(180,130)	(303,906)	(6,934,827)	(9,134,319)	(43,236)
CASH AND INVESTMENTS, JANUARY 1	2,687,944	33,411,195	67,273,463	1,771,699	28,669,704	7,216,877	9,134,319	1,496,843
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,656,496	40,252,433	4,269,178	1,591,569	28,365,798	282,050	0	1,453,607

Appendix E-3

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
Statement of Receipts, Disbursements, and Changes in Cash and Investments
for Active Receiverships
Year Ended December 31, 2012

	M&M Companies	Mission Reinsurance Corporation	National States Insurance Company	Ozark Benefit Association Life Insurance Company	Riscorp National Insurance Company	Transit Casualty Company	Watkins Life and Benefit Association
Receipts							
Premiums and investment income	\$ 553	12,136	30,985,033	20,496	5,311	1,898,782	34,467
Net increase (decrease) in reserve balance	0	0	(552,246)	0	0	0	0
Net increase (decrease) in the fair value of investments	0	190	(1,326,037)	0	0	(9,424)	(163)
Total Receipts	553	12,326	29,106,750	20,496	5,311	1,889,358	34,304
Disbursements							
Professional fees and expenses	0	68,158	477,241	2,112	21,420	1,271,594	5,288
Salaries and related expenses	0	0	1,505,458	0	0	0	0
General and facility expenses	2,400	0	295,071	709	0	395,879	716
Distributions	0	315	35,550,050	17,400	3,001,504	20,178,041	29,821
Investment expense	0	0	45,769	0	0	22,507	120
Income Tax	0	0	0	0	0	375,748	0
Total Disbursements	2,400	68,473	37,873,589	20,221	3,022,924	22,243,769	35,945
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,847)	(56,147)	(8,766,839)	275	(3,017,613)	(20,354,411)	(1,641)
CASH AND INVESTMENTS, JANUARY 1	223,993	4,785,035	20,927,037	58,113	4,043,841	20,354,411	198,893
CASH AND INVESTMENTS, DECEMBER 31	\$ 222,146	4,728,888	12,160,198	58,388	1,026,228	0	197,252



Nicole Galloway, CPA
Missouri State Auditor

Stone County



May 2016

Report No. 2016-027

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Stone County

County Procedures	The county lacks procedures to account for fuel use by the road and bridge department and the Sheriff's office. The Sheriff and County Commission did not solicit bids for vehicles. In addition, the County Commission did not solicit requests for proposals for insurance brokerage services, and did not obtain appraisals prior to some property purchases. There were a number of questionable purchases from the Inmate Prisoner Detainee Security Fund. State law restricts how deposits to this fund can be spent.
Electronic Data Security	Numerous county offices lack adequate password controls to reduce the risk of unauthorized access to computers and data. Many employees are not required to change passwords periodically, one County Commissioner's computer does not require a password, and user access is not always promptly deleted after a computer user ends employment. Security controls are not in place to lock most county computers after a specified number of incorrect logon attempts or after a certain period of inactivity. Additionally, the Sheriff's office and the Prosecuting Attorney's office do not store data backups at an offsite location, and neither office periodically tests their backup data.
Payroll and Related Matters	Timesheets and leave records are not prepared for 17 salaried employees, who are paid in advance of time worked. As a result, the county cannot substantiate compliance with Fair Labor Standards Act (FLSA) requirements, and there is no documentation to support or justify paid time off taken by these employees. The county is not compensating some employees for overtime in compliance with its overtime policy and the FLSA. In addition, the county failed to withhold and report some payroll and income taxes. The County Commission has not adopted formal policies related to the employment and supervision of related employees. Timecards and grant timesheets prepared by Sheriff's office employees were not reviewed and signed by the Sheriff, and the Sheriff does not properly control his signature stamp.
Property Tax System Controls and Procedures	Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. The County Clerk does not prepare the current or delinquent tax books and verification work performed of the accuracy of the books is not documented. The County Clerk and County Commission do not review and approve property tax additions or compare court orders or other supporting records to actual changes made to the property tax system.
County Collector's Controls and Procedures	The County Collector has not adequately segregated accounting duties and independent or supervisory reviews of accounting and bank records are not performed. The County Collector has not established proper controls or procedures for receipting, recording, and reconciling monies. The County Collector does not account for the numerical sequence of receipt numbers assigned by the computerized property tax system and the property tax

system does not have controls to prevent the County Collector or office personnel from changing the date of receipts in the system. The County Collector does not maintain a petty cash ledger or adequate documentation to support petty cash transactions.

Sheriff's Controls and Procedures	The Sheriff's office does not prepare monthly lists of liabilities for the trust bank account, liabilities are not reconciled to the available cash balance, bank reconciliations are not accurately prepared, and a running check register balance is not maintained. Also, the list of seized cash prepared by the Evidence Officer was not used to reconcile to the available cash balance of the seized cash bank account. The Sheriff has not established proper controls or procedures for receipting, recording, and depositing monies. Supporting documentation was not always obtained and properly reviewed to ensure the accuracy of jail commissions received. In addition, the Sheriff has not entered into an up-to-date agreement with the commissary vendor. The Sheriff has not implemented procedures to periodically review cases and dispose of related seized property items, and 3 different computerized systems are used to track seized property, although none of them are accurate. A physical inventory of all seized property has not been conducted since 2013. The Sheriff held an auction to sell seized property and did not deposit the proceeds into the correct fund. The Sheriff did not dispose of a rifle in accordance with a court order.
Public Administrator's Controls and Procedures	The Public Administrator does not always file annual settlements/status reports timely. The Public Administrator has not filed final settlements following the death or assignment of a ward for 11 decedent estates. Additionally, assets, including bank account balances and real estate, had not been distributed to the estates' heirs, used to satisfy claims against the estate, or escheated to the state.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting and bank records. One of the Administrative Assistants has the ability to record adjustments to the computerized accounting system without obtaining independent approval. In addition, a report of adjustments made to the computerized accounting system is not generated and compared to supporting documentation. The Prosecuting Attorney has not established proper controls or procedures for receipting, recording, reconciling, and depositing monies. A list of liabilities is not prepared and reconciled to the available cash balance monthly. In addition, book balances are not maintained, so the bank balance cannot be reconciled to the book balance each month. Office personnel do not document the review of a monthly list of unpaid bad checks and restitution.
Planning and Zoning Department	The planning and zoning Director has not adequately segregated accounting duties or performed supervisory reviews of accounting and bank records. The planning and zoning department has not established proper controls or procedures for receipting and depositing monies and does not have adequate physical controls over monies received and blank checks.
Recorder of Deeds' Controls and Procedures	The Recorder of Deeds has not established proper controls and procedures for receipting and depositing monies collected. In addition, a comparison of the voided receipt reports generated at the time a void transaction occurs to the total number of voided receipts reported on the daily summary collection report is not performed. The Recorder of Deeds does not have adequate physical controls over monies received and signature stamps.

Additional Comments

Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Stone County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Stone County

We have audited certain operations of Stone County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Stone County for the 2 years ended December 31, 2014. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

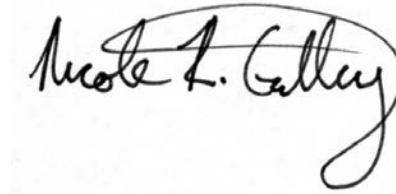
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Stone County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Pamela Allison, CPA
In-Charge Auditor:	Roberta Bledsoe
Audit Staff:	Lavonda K. Murray, M.Acct.
	Marian Seevers, M.Acct., CPA

Stone County

Management Advisory Report

State Auditor's Findings

1. County Procedures

Improvements are needed in the county's procedures over fuel, bidding, and real estate purchases. In addition, it is questionable how some items purchased from the Inmate Prisoner Detainee Security Fund could be utilized for the detention, custody, and housing of inmates.

1.1 Fuel

The county lacks adequate procedures to account for fuel use by the road and bridge department and the Sheriff's office. Fuel purchases totaled approximately \$278,000 for the road and bridge department and approximately \$153,000 for the Sheriff's office during the year ended December 31, 2014.

- Mileage and fuel logs are not maintained for the vehicles and equipment used by the road and bridge department and the vehicles used by the Sheriff's office.
- The monthly fuel reconciliation prepared by a payroll/accounts payable clerk in the County Clerk's office is not complete. It only compares fuel purchased and pumped during the month, and does not include a beginning and ending balance of fuel on hand in the tanks, and significant differences were not investigated or explained. For example, the July 2015 fuel reconciliation for the south shop indicated the county purchased 758 gallons for the shop's bulk fuel tanks and 1,173 gallons were pumped from the tanks, but documentation of reasons for the difference was not documented.
- The Sheriff's office did not use the bulk fuel logs maintained by his employees to reconcile to fuel purchases.

Mileage and fuel logs are necessary to document the appropriate use of vehicles and equipment and to support fuel purchases. Failure to account for fuel purchases and fuel usage and to investigate differences could result in loss, theft, or misuse of fuel going undetected.

A similar condition was noted in our prior audit report.

1.2 Bidding

The Sheriff and County Commission did not solicit bids for vehicles and the County Commission did not solicit requests for proposals for insurance brokerage services.

- Bids were not solicited for 12 vehicles purchased for the Sheriff's office costing \$153,198 during 2014 and 2015.
- Requests for proposals were not solicited for insurance brokerage services, and personnel in the County Clerk's office indicated the county has used the same insurance broker since at least 1987. The county paid



Stone County Management Advisory Report - State Auditor's Findings

liability and health insurance costs totaling approximately \$1 million in 2014.

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made. In addition, soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the county to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration.

1.3 Independent appraisals

The county did not obtain appraisals prior to purchasing 2 pieces of property totaling \$80,000. As a result, there is no assurance the county paid fair market value for the land.

Written appraisals from an independent appraisal company should be obtained prior to the purchase of real estate and used to provide a basis for negotiations and to ensure the prices paid are reasonable.

1.4 Inmate Prisoner Detainee Security Fund

It is questionable how some items purchased from the Inmate Prisoner Detainee Security Fund during 2014 and 2015, could be utilized for the detention, custody, and housing of inmates. Questionable items purchased include 2 Tasers assigned to a patrol officer costing \$2,654; 75 backpacks costing \$2,175, (there are only 17 jailers and only 4 backpacks were on hand in the equipment room at the time of our review); 2 laptop computers costing \$759 (these laptop computers were being stored and not used in the jail at the time of our jail visits on March 28 and April 5, 2016); ammunition costing \$922 (stored in the equipment room and used for training purposes for all officers); a used Glock handgun costing \$600 (stored in the equipment room and used for training purposes for all officers); and shooting range ear and eye protection costing \$178 (used for training purposes for all officers).

Section 488.5026.3, RSMo, mandates how the funds deposited in the Inmate Prisoner Detainee Security Fund shall be used. These funds shall first be used to acquire, develop, and maintain biometric verification systems, and then to pay any expenses related to detention, custody, and housing and other expenses for inmates, prisoners, and detainees.

Recommendations

- 1.1 The County Commission require mileage and fuel logs be maintained for vehicles and equipment of the road and bridge department and investigate any differences identified during the fuel reconciliation process. In addition, work with the Sheriff to require



Stone County
Management Advisory Report - State Auditor's Findings

mileage and fuel logs be maintained for vehicles of the Sheriff's office, ensure the bulk fuel logs are reconciled to fuel purchases, and investigate any differences.

- 1.2 The County Commission and the Sheriff ensure bids are solicited for all applicable purchases of goods and services in accordance with state law and maintain adequate documentation of decisions made. In addition, the County Commission should periodically solicit proposals for professional services.
- 1.3 The County Commission obtain independent appraisals before purchasing real estate.
- 1.4 The Sheriff ensure the Inmate Prisoner Detainee Security Fund is used in accordance with state law and reimburse the Inmate Prisoner Detainee Security Fund from the applicable funds for any unallowable disbursements.

Auditee's Response

The County Commission provided the following responses:

- 1.1 *The County Highway Commission has already implemented this recommendation. The County Highway Commission is the employer of the county's road and bridge employees. The County Highway Commission will require road and bridge supervisors and employees to (1) maintain mileage and fuel logs for each vehicle and fuel logs and, if possible, mileage logs for each piece of equipment, (2) prepare monthly reconciliations for each vehicle or piece of equipment to reveal differences, and (3) submit a differences report monthly at meetings of the County Highway Commission.*

The County Commission suggests that the Sheriff (1) maintain mileage and fuel logs for each vehicle, (2) prepare monthly reconciliations to reveal differences, and (3) submit mileage logs, fuel logs, and a differences report monthly to the County Commission and the County Clerk.

- 1.2 *The County Commission has already implemented this recommendation. The County Commission suggested that the Sheriff (1) procure bids or quotes for all applicable purchases, (2) present the bids or quotes to the County Commission and the County Clerk before purchasing, and (3) solicit bids for professional services. The County Commission will advertise to solicit bids for insurance services.*
- 1.3 *The County Commission has already implemented this recommendation. The County Commission will obtain independent*



Stone County
Management Advisory Report - State Auditor's Findings

appraisals before making any future real estate purchases. However, regarding the purchase noted in the report, the Presiding Commissioner is a licensed Missouri real estate broker with 40 years of experience and whose opinion the other Commissioners value. The Presiding Commissioner provided his opinion of value concerning this sale.

The Sheriff provided the following responses:

- 1.1 The Sheriff's office is doing a monthly report for the fuel logs as it always has. A report will be done for each pump. Each pump log sheet will contain the following information: date, gallons of fuel removed, equipment number of vehicle being filled, and name of employee filling the vehicle. The information will then be fed into a spreadsheet that will reflect the total number of gallons used versus the total number of gallons purchased, whose information will come from the receipts received each time the fuel tanks are filled.*
- 1.2 The Sheriff's office purchased sport utility vehicles (SUVs) and Crown Victoria police cars during 2014 and 2015. We were purchasing the SUVs for the detectives. Ford stopped making Crown Victoria's in 2011. They are by far the best patrol cars made. The cost of repair for them is very minimal. Since they are well maintained by our fleet maintenance we can usually get up to 175,000 miles out of them.*

We did not advertise what we were looking for in a local newspaper. It would be difficult to advertise for a used SUV and set specifications because these vehicles were purchased for different uses. Trying to set specifications for bid purposes along with trade in values would be very difficult to accomplish.

Hours of research was completed online searching for the best deals and contacting car dealers and individuals trying to find the best possible deal. We did comparisons on the Crown Victorias and SUVs on each purchase.

A total of 12 vehicles (7 full size SUVs, 4 Ford Crown Victorias, and a jail van) were purchased during this time period by using comparisons to find the best deal. A total of \$153,198 was spent on the 12 vehicles with an average price of \$12,767 a vehicle. With our research and comparison shopping we saved the county thousands of dollars over 2 years on our vehicle purchases.

These bids will be placed in the newspaper in the future.



Stone County
Management Advisory Report - State Auditor's Findings

- 1.4 *All monies spent were used for the safety and security of the jail facility. We deal with violent and combative inmates on a daily basis, which coincides with the items under concern. We are not only required to keep the inmates safe but the public as well. Every item listed is directly related to expenses related to detention, custody, and housing of inmates, prisoners, or detainees.*

Tasers and holsters – It is the procedure of the Stone County Jail to enable the use of a Taser if a violent situation arises. This is a valuable tool with combative inmates. We use this product for the safety and security of the inmates. Two of the Tasers are on loan to the road patrol and will be returned to the Jail.

Backpacks – We as deputies are on call 24/7 to respond to any emergency that may arise. We purchased (go-bags) for the deputies to be ready to respond in a moment's notice. Deputies require many items (ex: guns, knives, flashlights, handcuffs, zip ties, and gloves) to be ready. The purchase of the backpack gives each deputy a place to store such items. If the jail has a hostage situation or a jail riot all deputies would be deployed to the jail. The deputies could quickly retrieve their go-bag and be on their way. The jail deputies use their backpack for transports. Transports change at any time and the backpack allows the deputy enough supplies to complete the tasks. This is directly related to the safety and security of the inmates.

Laptop computers – The laptop computers are used for the booking process of inmates. Without them we could not process inmates. This is tied in with the biometrics, known as Livescan. The jail always has two laptops in use and two are kept as a backup in case the jail has one go down. With the three laptops that are in question, one is in use and two are backups.

Ammunition, Glock handgun, and ear and eye protection – We require all deputies to qualify three times per year. The items purchased were for ongoing training and qualifications for the deputies. Once again deputies are required to keep inmates safe and secure and this is part of their duties. All the jail staff are sworn deputies and are required to qualify and train every year.

Auditor's Comment

- 1.4 The Sheriff's responses indicate that some of the items mentioned have not been specifically used for the detention, custody, and housing of prisoners. As a result, the cost of these items should be reimbursed to the Inmate Prisoner Detainee Security Fund.



Stone County
Management Advisory Report - State Auditor's Findings

2. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access. In addition, some data are not backed up, stored offsite, or periodically tested.

2.1 Passwords

The County Clerk, County Collector, County Assessor, Prosecuting Attorney, Sheriff, Public Administrator, County Commission, the planning and zoning department, and the road and bridge department have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user. Further, the computer used by a County Commissioner does not require a password. In addition, user access is not always promptly deleted after a computer user ends employment and in at least one case a former employee's user access information was assigned to a new employee.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed by employees in these offices, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential, changed periodically, and user access for terminated employees promptly deleted to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

2.2 Security controls

Security controls are not in place to lock most county computers after a specified number of incorrect logon attempts or after a certain period of inactivity. Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

2.3 Data backup

The Sheriff's office and the Prosecuting Attorney's office do not store data backups at an offsite location. In addition, the Sheriff's office and the Prosecuting Attorney's office do not periodically test backup data. Offsite storage and periodic testing to ensure the backup process is adequate would provide reasonable assurance data could be recovered if necessary.

Similar conditions
previously reported

Similar conditions to sections 2.1 and 2.3 were noted in our prior audit report.



Stone County
Management Advisory Report - State Auditor's Findings

Recommendations

The County Commission work with other county officials to:

- 2.1 Require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data, and ensure terminated employees user access is promptly deleted.
- 2.2 Require each county computer to have security controls in place to lock it after a specified number of incorrect logon attempts and after a certain period of inactivity.
- 2.3 Ensure backup data is stored in a secure offsite location and tested on a regular basis.

Auditee's Response

- 2.1 *The County Commission has already implemented this recommendation. The County Commission has directed that the county's Information Technology Director (1) work with elected officials and department heads to develop a plan that will require confidential passwords for each employee and a schedule for changing passwords, and (2) ensure that terminated employees' user access is promptly deleted, and (3) report to the County Commission by May 1, 2016, the necessary steps to implement this recommendation, and the cost thereof. Thereafter, the County Commission shall determine what action should be taken to implement this recommendation.*
- 2.2 *The County Commission has already implemented this recommendation. The County Commission has directed that the county's Information Technology Director (1) develop a plan for such security "lock out" control and (2) report to the County Commission by May 1, 2016, the necessary steps to implement this recommendation, and the cost thereof. Thereafter, the County Commission shall determine what action should be taken to implement this recommendation.*
- 2.3 *The County Commission directs that the county's Information Technology Director (1) develop a plan for regular backup and offsite storage for the Sheriff's office and Prosecuting Attorney's office and (2) report to the County Commission by May 1, 2016, the necessary steps to implement this recommendation, and the cost thereof. Thereafter, the County Commission shall determine what action should be taken to implement this recommendation.*



3. Payroll and Related Matters

Controls and procedures over payroll disbursements and other related matters need improvement.

3.1 Salaried employees

Timesheets and leave records are not prepared for 17 salaried employees, and these employees are paid in advance of time worked. As a result, the county cannot substantiate compliance with Fair Labor Standards Act (FLSA) requirements for these employees and there is no documentation to support or justify paid time off.

In addition, the County Clerk's office prepares and distributes payroll for salaried employees on the 15th of each month for the period ending the last day of the current month. As a result, salaried employees are paid in advance for their services. The county's personnel policy indicates all employees are paid twice a month except for monthly salaried employees.

Detailed timesheets and leave records would document hours actually worked and support leave taken, provide information necessary to monitor tasks performed, and are beneficial in demonstrating compliance with the county personnel policy and FLSA requirements. In addition, paying county employees in advance of hours actually worked may lead to errors and the potential for employees to be over/under paid.

3.2 Overtime, payroll reporting, and withholdings

The county is not compensating some employees for overtime in compliance with its overtime policy and the FLSA. In addition, the county failed to withhold and report payroll and income taxes on some payments to employees.

- Some county employees received extra pay for working during elections. Payments totaling \$1,396 were made to 7 employees during the year ended December 31, 2014. Some employees were paid an hourly wage in excess of their regular hourly wage and others were paid less than their regular hourly wage. Compensation amounts were not calculated at time and a half for hours worked in excess of 40 hours per week in accordance with county policy and the FLSA. These amounts were also not reported on the employees' W-2 forms, appropriate payroll taxes were not withheld, and the employer's share of payroll taxes were not paid.
- Time worked by deputies in the Sheriff's office, related to grants received to fund overtime worked to enforce highway safety, was not recorded on the deputies' regular timecards, but were instead reported on a separate grant timesheet as overtime hours. The deputies were compensated at the overtime rate documented in the grant, which was in excess of the deputies regular overtime rate, and



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did not consider overall hours worked (regular and grant duties) to determine actual overtime worked.

To ensure all employee compensation is properly reported and taxed, and overtime hours are properly calculated, all compensation should be paid through the normal county payroll process. The failure to properly report and tax all wages could result in penalty and interest charges assessed against the county. Strict compliance with personnel policies and the FLSA is necessary to ensure employees are treated fairly and are properly compensated.

3.3 Related employees

The County Commission has not adopted formal policies related to the employment and supervision of related employees. The Emergency Management Director directly supervises his son, who is the Assistant Emergency Management Director.

The supervision of a related employee could compromise a supervisor's objectivity when assigning duties or evaluating employee performance. Complete and up-to-date personnel policies are necessary to address pertinent issues such as employment of related employees.

3.4 Approval process and signature stamp

Timecards and grant timesheets prepared by Sheriff's office employees were not reviewed and signed by the Sheriff, and the Sheriff does not properly control his signature stamp. The Sheriff allows the Office Manager to apply the signature stamp to payroll vouchers documenting his supervisory approval, but he does not subsequently review the use of the stamp.

Timecards and timesheets should be signed and approved by the Sheriff or an applicable supervisor to provide evidence of actual time worked. If the Sheriff is unavailable to sign timecards and timesheets or other payroll records, he should subsequently document his review of documents approved using his signature stamp.

Similar conditions previously reported

A similar condition to section 3.1 was noted in our prior 2 audit reports, and a similar condition to section 3.2 was noted in our prior audit report.

Recommendations

The County Commission:

- 3.1 Require all county employees to prepare detailed timesheets and maintain leave balances for all employees. In addition, the County Commission should discontinue compensating full-time employees in advance of receiving services.
- 3.2 Ensure all employee compensation is paid through the county's normal payroll process, properly taxed, and reported to the Internal Revenue Service. In addition, the County Commission should



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ensure all time worked is used in overtime calculations, and overtime is compensated at the employee's proper rate.

- 3.3 Revise the personnel policy to address related employees.
- 3.4 And the Sheriff ensure timecards and timesheets are signed by the Sheriff or the employee's supervisor. In addition, the Sheriff should document his review of documents approved using the signature stamp.

Auditee's Response

The County Commission provided the following responses:

3.1 Hourly Employees.

- (1) *The County Commission has already implemented this recommendation. The County Commission has directed that all hourly employees prepare and provide the County Clerk with detailed timesheets. (2) The County Clerk will maintain adequate sick leave, holiday leave, and vacation leave balances for all hourly employees.*

Salaried Employees.

- (1) *The County Commission, the department heads, and the elected officeholders, as supervisors of salaried employees, monitor the activities and attendance of salaried employees, including leave benefits provided to salaried employees and leave time taken. The County Commission will address this issue in a policy manual revision.*
- (2) *The County Commission considered and addressed this recommendation in past audits. Because salaried employees have adjusted their monthly expenses to the county's longstanding pay schedule, the County Commission believes that changing salaried employees' pay dates will cause financial hardship to salaried employees, and the County Commission needs to be conscience of the financial obligations of these employees.*
- (3) *The County Commission considered and addressed this recommendation in past audits, and consulted with its legal counsel and its outside special legal counsel for matters concerning the federal Fair Labor Standards Act (FLSA). After receiving this recommendation the County Commission again consulted its legal counsel concerning this issue.*



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For a salaried employee to be exempt from hourly overtime requirements under the FLSA, each such employee must meet specific requirements. Because salaried employees are considered supervisory or professional, such employees have flexibility in work hours and time off. Generally such employees are expected to know when their duties require the employee to be on the job, and when duties allow the employee to schedule time off.

The County Commission will continuously monitor the attendance and work performance of all salaried employees under its jurisdiction and suggests each elected official or department head also do so for his or her salaried employees. Consideration of the recommendation requires that the County Commission balance the State Auditor's desire to obtain the most accurate accounting information against the County's concern that implementing the recommendation might result in salaried employees' no longer qualifying as exempt employees under the FLSA. This could expose the county to claims for hourly compensation and overtime pay under the FLSA.

The county's legal counsel advises, and the county's former outside legal counsel has advised, against requiring salaried employees to maintain actual time records as is recommended by the State Auditor. After carefully considering both options, the County Commission has decided to follow the advice of its legal counsel concerning salaried employees and the FLSA's requirements.

The County Commission will monitor each salaried employee's attendance, hours worked, classification status, and performance at least monthly to ensure that each such employee is satisfactorily performing his or her tasks and that the County receives the best value from its salaried employees. The County Commission suggests that each elected official or department head also do so for his or her salaried employees.

- 3.2 Regular employees' pay for elections. *The County Commission suggests the County Clerk ensure that (1) regular employees will be paid at their regular and overtime hourly rates for elections, (2) such compensation will be reported on each regular employee's Form W-2, (3) appropriate payroll taxes will be withheld, and (4) each employee's share of payroll taxes will be collected and paid.*

Sheriff's Office Grants. *The County Commission suggests that (1) all hours worked, whether regular or grant-related, be accounted for; that compensatory time be awarded if the grant does not*



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require that overtime be paid through the normal payroll system; that, all records be on employees' regular timecards through the county's normal payroll process, (2) such compensation be reported on each regular employee's Form W-2, and (3) appropriate payroll taxes be withheld.

- 3.3 *Related employees.* *The County Commission will address this issue in a policy manual revision.*

The County Commission does not control the hiring, disciplining, or terminating employees of the elected officeholders. The County Commission has authority only over its own employees, and the County Highway Commission has authority over its employees.

The County Commission and the County Highway Commission will consider a "related employees policy" for hiring future employees over whom they have control. The County Commission will not reassign or terminate present employees.

The County Commission hired both the Emergency Management Director and the Assistant Emergency Management Director, and exercises oversight and control over both. The Director and the Assistant Director attend continuing education and training classes. The Assistant Director is also the County's E-911 Director, was already trained and qualified at the time he agreed to serve, and receives substantial relevant education and training without cost to the county. The E-911 Director was an obvious candidate for the position of Assistant to the Director whether or not he is related to the Director. The county needs a backup to the Director and the Assistant Director has done the County a favor by agreeing to serve for minimal compensation.

- 3.4 *The County Commission suggests that the County Clerk ensure that each employee's timecard is signed by the elected officeholder or department head. The County Commission suggests that, for each pay period, the Sheriff personally review use of his signature stamp on employee timecards and make a record documenting such review. This could be accomplished by attaching a form bearing the Sheriff's signature affirming that he has personally reviewed use of his signature stamp on employee timecards for that pay period.*

The Sheriff provided the following response:

- 3.4 *The employees prepare their timecards and turn them in to the Office Manager. The Office Manager will check timecards for accuracy. Once submitted, they will be approved by a member of*



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the command staff and the Sheriff. All grant pay vouchers are always signed by the Sheriff and a Supervisor. The Sheriff will also sign the grant timesheets in the future. The Sheriff will subsequently review the use of his signature stamp.

Auditor's Comment

- 3.1 To ensure compliance with the county's personnel policies and the FLSA, the county should, at a minimum, maintain leave records including leave earned, used, and accrued.

4. Property Tax System Controls and Procedures

As similarly noted in our prior 2 audit reports, controls and procedures over the property tax system need improvement. For the year ended February 28, 2015, property taxes and other monies collected by the County Collector totaled approximately \$26 million.

4.1 Review of property taxes

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

4.2 Tax books

The County Clerk does not prepare the current or delinquent tax books and verification work performed of the accuracy of the books is not documented. The County Collector enters the property tax levies into the property tax system, as provided by the County Clerk's Deputy, and the County Collector extends and prints the current and delinquent tax books and tax statements and verifies the accuracy of amounts to be collected. The County Clerk's Deputy indicated she reviews the property tax levies entered by the County Collector and the County Collector's verification of the tax books, but these reviews are not documented. Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books. A



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documented review of tax books should include verification of individual entries in the tax books and recalculating tax book totals and charges. Failure to perform adequate and documented reviews of the tax books by an independent person may result in errors or irregularities going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

4.3 Additions

The County Clerk and County Commission do not review and approve property tax additions or compare court orders or other supporting records to actual changes made to the property tax system. Additions totaling approximately \$379,000 were reported on the County Collector's annual settlement for the year ended February 28, 2015. As a result, additions, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, an independent reconciliation of approved additions to actual changes made to the property tax system would help to ensure changes are proper.

Recommendations

The County Clerk:

- 4.1 Maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 4.2 Prepare the current and delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be documented.
- 4.3 And the County Commission review and approve additions, and compare court orders or other supporting records to actual changes made to the property tax system.



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Auditee's Response

The County Clerk provided the following responses:

- 4.1 *(1) The County Clerk will maintain the recommended account book with the County Collector. (2) The County Clerk will present the account book to the County Commission on a monthly basis, and the County Commission will review the account book for accuracy and completeness. (3) When the County Collector presents her annual settlement, the County Clerk will compare her account book to the County Collector's annual settlement and thereafter report and discuss the comparison with the County Commission.*
- 4.2 *The tax book is prepared by the County Collector using the county's computer programs. The County Clerk will verify the accuracy of the tax books before charging the County Collector with the property tax amounts to be collected, and will document such verification.*
- 4.3 *The County Assessor, the County Clerk, and the County Commission will use the same procedure for processing additions as is done with deletions.*

The County Assessor, the County Clerk, and the County Commission procedures for processing deletions include: (1) the County Commission is presented with, a document prepared by the County Assessor or his employees requesting tax deletions, (2) the County Commission reviews the document and questions the County Assessor's employee concerning the reasons for the recommendation, (3) if the County Commission approves the document, it is signed and becomes an order, and (4) the County Clerk reviews the order before implementing it.

The County Commission provided the following responses:

- 4.1 *The County Commission suggests that (1) the County Clerk present the account book to the County Commission on a monthly basis. (2) The County Commission will review the account book for accuracy and completeness when it is presented by the County Clerk. (3) When the County Collector presents her annual settlement, the County Commission suggests that the County Clerk compare her account book to the County Collector's annual settlement and thereafter report to the County Commission. (4) When presented by the County Clerk, the County Clerk and the County Commission will discuss the comparison.*
- 4.3 *The County Commission directs that tax additions be processed in the same matter as tax deletions.*



5. County Collector's Controls and Procedures

Controls and procedures in the County Collector's office need improvement.

5.1 Segregation of duties

The County Collector has not adequately segregated accounting duties and independent or supervisory reviews of accounting and bank records are not performed. The Administrative Assistant performs the duties of receiving and recording monies collected, sometimes prepares deposits, and reconciles some of the bank accounts. The County Collector does not perform a review of accounting and bank records or a comparison of monies received to those deposited.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential and should include comparing daily receipt activity to deposits.

5.2 Receipting, recording, and reconciling

The County Collector has not established proper controls or procedures for receipting, recording, and reconciling monies. We noted the following concerns:

- Receipt slips are not issued for checks received through the mail for partial payments.
- Office personnel do not always record the method of payment accurately in the property tax system, and overpayments and subsequent refunds are not reflected on daily collection reports.
- The composition of receipts (cash, check, money order, or credit card) recorded on the daily collection report is not reconciled to the composition of deposits. We identified instances where the composition of receipts on the daily collection report differed from the composition of the deposit.

Failure to implement adequate receipting, recording, and reconciling procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

5.3 Computerized receipts

The County Collector does not account for the numerical sequence of receipt numbers assigned by the computerized property tax system. In addition, the property tax system does not have controls to prevent the County Collector or her office personnel from changing the date of receipts in the system to a future or past date.



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To ensure all monies received are properly recorded and deposited, and reduce the risk of loss, theft, or misuse of funds, the County Collector should ensure adequate controls are in place to properly account for the numerical sequence of receipt numbers. In addition, the County Collector should work with the computer programmer to establish controls that prevent changes from being made to recorded receipt dates.

5.4 Petty cash

The County Collector does not maintain a petty cash ledger or adequate documentation to support petty cash transactions. The County Collector maintains a petty cash fund of \$300 to be used for office supplies, postage, and miscellaneous purchases.

To ensure all activity of the petty cash fund is properly accounted for, the County Collector should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund. In addition, documentation should be retained to support disbursements from the fund.

Recommendations

The County Collector:

- 5.1 Segregate accounting duties or ensure supervisory reviews of accounting and bank records are performed and documented.
- 5.2 Issue receipt slips for all monies received, record the method of payment accurately, and reconcile the composition of receipts to the composition of deposits. The County Collector should also consider working with the tax system programmer to implement changes to the system that will allow overpayments and refunds to be properly recorded in the property tax system.
- 5.3 Implement procedures to account for the numerical sequence of receipt numbers, and work with the computer programmer to establish controls to prevent changing of receipt dates.
- 5.4 Maintain a petty cash fund ledger and retain adequate documentation of all petty cash disbursements.

Auditee's Response

- 5.1 *The County Collector feels accounting duties of the County Collector's office are adequately segregated, between the County Collector and the Chief Deputy Collector. Both staff members have full access to all accounting records, with random reviews of each other's work and reconciliations, followed by full reviews on an annual year-end basis. Significant segregation of duties can also be seen in the daily reconciliation of all clerks in the County Collector's office, with further verification and accounting of those daily reconciliations by the County Collector and/or Chief Deputy. To satisfy the audit recommendations, I will implement a*



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documented review procedure for "sign off" of accounting and bank records and receipt activity to deposits.

- 5.2 *Receipt slips for cash partial payments have always been issued. In the future, a receipt slip will be issued for all partial payments, including checks and credit card payments. It is office policy for the County Collector's office personnel to record the method of payment in the property tax system. Due to the sheer volume and workload of 6 people processing tens of thousands of payments, sometimes hundreds of payments per clerk in a given day, method of payment can occasionally be misentered (although the tax payment software does require an entry in the payment type field). Clerks in the County Collector's office do make a diligent effort to reconcile daily reports, including matching payment type, even if reconciliation requires working late and helping each other find balancing problems at the end of a sometimes long day. I will implement a procedure for tighter verification of deposit composition. I will work with the tax system programmer to implement changes to the system that will allow overpayments and refunds to be recorded in the system.*
- 5.3 *The computer programmer is preparing a report to account for all receipt (transaction) numbers. Credit card payments are received on a 24 hour, 7 day a week basis via online payments and interactive voice response payments. Credit card payments received after office hours or on weekends are posted the next business day, using the actual credit card company transaction date as the receipt date. I will implement procedures for office personnel to post after hours credit card payments immediately each morning before other daily transactions occur. This will help transaction numbers flow in sequence by date.*
- 5.4 *Although petty cash receipts have always been kept, those receipts are now logged in a petty cash ledger and the ledger balance is reconciled with petty cash funds upon each transaction.*

6. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. During the year ended December 31, 2014, the Sheriff's office processed approximately \$483,000 for civil and criminal process fees, concealed carry weapon permits, bonds, and other miscellaneous receipts.

6.1 Trust and seized cash bank accounts

The Sheriff's office does not prepare monthly lists of liabilities for the trust bank account, and consequently, liabilities are not reconciled to the available cash balance. In addition, bank reconciliations are not accurately prepared for the trust account and a running check register balance is not maintained. Also, the list of seized cash prepared by the Evidence Officer



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was not used to reconcile to the available cash balance of the seized cash bank account.

At our request, the Office Manager prepared a list of liabilities for the trust account as of August 31, 2015. This list totaled \$14,361, while the available cash balance was \$17,522, resulting in a difference of \$3,161. The liabilities included social security payments and interest that should be turned over to the County Treasurer that had been held for approximately 3 years, and also included fees due to the Missouri State Highway Patrol (MSHP) for fingerprinting. Also, the bank reconciliations prepared for the trust account did not include deposits in transit, and deposits are only added to the check register monthly when the bank statement is received.

The list of seized cash as of August 31, 2015, totaled \$47,750, while the available cash balance was \$47,946, resulting in a difference of \$196, which we determined to be interest.

Regular identification and comparison of liabilities to the reconciled cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities. Prompt follow up on differences is necessary to resolve errors and ensure monies are properly disbursed. The preparation of complete and accurate monthly bank reconciliations and an adequate review of the reconciliations is necessary to ensure accounting records are in balance and to identify errors timely.

6.2 Receipting, recording, and depositing

The Sheriff has not established proper controls or procedures for receipting, recording, and depositing monies. We noted the following concerns:

- Receipt slips are not issued for Drug Awareness and Resistance Education (DARE) fund donations. The Sheriff's office collected \$30,724 in donations from January 1, 2014, through October 7, 2015. In addition, inmate Social Security payments totaling \$5,200 direct deposited into the trust account between January 2013 and August 2015, were not receipted or recorded in the accounting records. Also, cash of \$200 that the Sheriff indicated was received from the sale of scrap metal in 2013, had not been receipted, recorded, or deposited at the time of our cash count on August 4, 2015. In addition, no documentation was retained to support the proceeds received from the sale of the scrap metal.
- The method of payment is not always recorded on the initial receipt slips issued for concealed carry weapon permits; and sex offender registration, accident report, and fingerprinting fees.
- Jail personnel did not always issue bond receipt slips in numerical sequence. Four of the 15 bond receipt slips issued during May 2015



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were not issued in sequence. In addition, bond forms are not prenumbered.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

6.3 Jail commissions and written agreements

Supporting documentation was not always obtained and properly reviewed to ensure the accuracy of commissions received by the Sheriff's office. In addition, the Sheriff has not entered into an up-to-date agreement with the commissary vendor. The Sheriff receives commissions for commissary sales, inmate phones, and credit cards used for cash bonds. The Sheriff received commissions totaling \$48,038 for the year ended December 31, 2014.

Monthly reports detailing inmate phone calls and the related commissions are emailed to the Sheriff; however, he does not review the reports and compare them to commissions received. In addition, supporting documentation for commissary sales and credit card use and the related commissions are not obtained by the Sheriff's office and compared to commissions received or jail records.

The Sheriff has not updated the written agreement with the commissary vendor. In April 2013, the Sheriff entered into an agreement with the commissary vendor, and the agreement provided for a 15 percent commission on the sale of commissary items to be paid to the county, however, according to the vendor, commissions were increased to 40 percent of sales in July 2013.

To ensure the accuracy of commissions received, and improve the likelihood of identifying and correcting errors timely, supporting documentation should be obtained and compared to commissions received. Any differences should be investigated and resolved. Also, the written agreement with the commissary vendor should be updated to address the current amount of commissions received.

6.4 Seized property

The Sheriff has not implemented procedures to periodically review cases and dispose of related seized property items. In addition, 3 different computerized systems are used to track seized property, and none of the systems are accurate or complete. A physical inventory of all seized property has not been conducted since January 2013.

The Sheriff maintains a bank account for the deposit of all seized cash, and \$41,306 of the \$47,750 balance held on August 31, 2015, was related to cases no longer pending legal action with some cases dating back to 1993.

Review of the systems and cases identified the following concerns:



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- Four cases with seized cash totaling \$11,218 held in the seized cash bank account were not recorded in either of the 3 computerized systems.
- Amounts recorded in the 3 computerized systems for 7 other cases were different than the amounts recorded as being deposited into the seized cash bank account by \$628.
- Records indicated \$74 was released; however, the related seized cash had not been disbursed from the bank account.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of seized cash and property. Section 542.301, RSMo, provides the process for the disposition of unclaimed seized property. Complete and accurate inventory records should be maintained and periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly. The use of multiple systems to track seized property is cumbersome and reduces the assurance that all information is accurately recorded and accounted for properly.

6.5 Seized property auction proceeds

In January 2014, the Sheriff held an auction to sell seized property, and sale proceeds totaling \$26,354 were subsequently deposited in the Sheriff's Civil Fund.

Section 542.301, RSMo, states the proceeds of any sale, less necessary expenses of preservation and sale, shall be paid into the county treasury for the use of the county. The Sheriff should request the County Treasurer transfer these sale proceeds to the county's General Revenue Fund, and turnover any future sale proceeds to the County Treasurer for deposit into the county's General Revenue Fund.

6.6 Disposition of seized property

The Sheriff did not dispose of a Colt AR-15 rifle in accordance with a court order signed by the Associate Circuit Judge in January 2014. The court order provided for the 4 items listed to be sold at auction; however, a notation was made on the court order for this rifle to be released to the Sheriff's office. On March 3, 2016, we contacted the Associate Circuit Judge and he indicated he did not know when the notation was made, but it was his intent for the rifle to be sold at auction. We contacted the Evidence Officer on March 7, 2016, and she indicated she had written the note to release the rifle to the Sheriff's office on the court order. The rifle was on hand in the Sheriff's county vehicle on February 18, 2016.

Only a court has the authority to amend a judicial order. Failure to follow the court's orders for disposition of seized property resulted in the rifle not being disposed of as intended.



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Similar conditions
previously reported
Recommendations

Similar conditions to sections 6.1 and 6.2 were noted in our prior audit report.

The Sheriff:

- 6.1 Prepare a list of liabilities and accurate bank reconciliations monthly, and maintain running balances in the check register, and reconcile cash balances to the list of liabilities. Any differences should be investigated and promptly resolved. Additionally, the Sheriff should ensure monies are disbursed to the County Treasurer monthly.
- 6.2 Issue receipt slips for all monies received, record the method of payment on receipt slips, reconcile the composition of receipts to the composition of deposits, account for the numerical sequence of bond receipt slips, issue prenumbered bond forms, and deposit monies intact and timely.
- 6.3 Obtain supporting documentation for commissions received and compare it to the amount received, and resolve any differences. Also, the Sheriff should obtain an updated written agreement with the commissary vendor.
- 6.4 Obtain written authorization from the court to dispose of these seized monies, and dispose of monies in accordance with court orders. The Sheriff should also ensure seized property records are accurate and complete, and a periodic inventory is taken and reconciled to the property records.
- 6.5 Transfer \$26,354 to the General Revenue Fund from the Sheriff's Civil Fund, and ensure any future seized property sale proceeds are remitted to the County Treasurer for deposit in the General Revenue Fund.
- 6.6 Follow court orders regarding the disposition of seized property.

Auditee's Response

- 6.1 *After the initial request for a list of liabilities ending August 31, 2015, the Sheriff's office has continued to prepare a monthly list of liabilities, and the liabilities are reconciled to the available cash balance. The Sheriff's office now has the trust account set up so we can view the direct deposits for the Social Security and credit card payments. Since this has been done the trust account has a running check register balance. The bank reconciliations prepared for the trust account now include deposits in transit. The liabilities list will continue to include money held for the MSHP for fingerprinting due to the fact they bill us a month behind for fingerprint fees. The Social Security money that had been held was given to the County*



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Treasurer and has continued to be given to the County Treasurer any month that a Social Security payment has been received.

- 6.2 *The Sheriff's office now has receipt slip books for any donation that is collected for the DARE fund. The Social Security payments received were not receipted in because it was not money that was physically collected at the Sheriff's office, as the Social Security payments are direct deposited. However, the Social Security payments have been listed on the monthly Sheriff's ledger that is turned over to the County Treasurer. The \$200 from the sale of scrap metal was deposited into the General Revenue Fund in August 2015. Every employee that issues a receipt slip has been told that the method of payment must be included on all receipt slips. The Sheriff's office is now reconciling the composition of receipts to the composition of deposits as recommended. The bond forms are decided on by the Judge, but deputies in the jail are now writing the receipt slip number that goes with the bond on the bond form.*
- 6.3 *The Sheriff's office is currently in the process of rebidding commissary services. The Sheriff's office receives a monthly site commission report from the phone vendor that is currently being reviewed and compared to the monthly commission that the Sheriff's office receives.*
- 6.4 *A physical inventory was completed in January 2013 by three retired law enforcement officers. These gentleman were not or ever employed by Stone County. Every item collected since January 1, 2013, under my supervision of the evidence collection has been entered daily into the seized property software currently being utilized.*

In reference to the \$74 that was "released" and not disbursed from the bank. The former Evidence Clerk gave an authorization to release evidence to the County Prosecutor at that time to sign. The release was signed on December 19, 2011, and returned to the prior Evidence Clerk. From a note made by the Evidence Clerk, we determined she had tried to contact the victim on December 29, 2011, but the phone number had been disconnected. During the January 2013 inventory, the brown paper bag containing the currency was located and then later deposited into the seized property bank account for safekeeping along with any other monies collected as evidence that were found. Steps are being followed to ensure seized property records are accurate in the future.

Case number L93-001017 was generated back in 1993 before any record management systems. Reports were handwritten at that time.



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We do not have any record of this except for the money on the bank statement.

A suspect was found related to one of the cases in one of the other seized property systems previously used, but nothing specific to this case number L04-06199. After checking with the Prosecuting Attorney's office, this case was originally a City of Reeds Spring case. We have no way to access the City of Reeds Spring police department and that department has been through approximately 6 police chiefs since that time.

Case number L10-09084 was a case of illegal gambling and possession of gambling devices that was seized on November 30, 2010. The machines and currency are being held by the Sheriff's office, but it is a Combined Ozarks Multi-jurisdictional Enforcement Team (COMET) case. The monies that were confiscated from the machines were collected and entered into evidence. The monies were then secured in the seized property bank account. This money is now recorded in our system.

On July 9, 2014, a subject was arrested. Among the evidence collected was \$4,000 cash. The arresting and collecting deputy logged it into evidence as "money," in the description, "currency" in the category and in the "value" column the amount of \$4,000 was entered. The monies collected on this case are currently secured in the seized property bank account.

The statements that I made in this report are true and accurate according to the information that I had available from research, considering all but one of the items in question was from the previous administration, and I did not hold my current position.

However, after further review, it was noted that since a box was not checked on the evidence entry, it did not show up in the report. Since this was noted, the box has been checked on all evidence entered. The Evidence Officer has been instructed to go back in the past evidence reports and check the boxes to show all evidence on the list.

In past years, other administrations used 2 other seized property computer systems. When the past administrations changed software, the cost to merge the data from the older software into the seized property system currently being used would be between \$5,000 and \$10,000 per module. This was never completed by the past administration because the records were still in the main computer at the office and accessible by office administration. The dates of



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Management Advisory Report - State Auditor's Findings

these programs ranged from mid-2000 to December 2006. The older modules are still available to the office administration to this date and are still searched when asked by deputies to do so. Since December 2006, we have utilized the current seized property system and have complete records of those reports available for the deputies to review.

6.5 *The audit report referenced Section 542.301, RSMo. That section only says the proceeds be turned over to the County Treasurer. It does not say to be turned over to General Revenue. When you look at Section 57.280, RSMo, in reference to the Sheriff Civil Fund, the last update was Senate Bill 628 in 2012. In that Senate Bill it states that, this act specifies that charges received by Sheriff's for executing service of process or other court orders and land sale proceeds must be placed in the special fund, subject to the \$50,000 cap on the fund. The auction put on by the Sheriff is done by court order.*

6.6 *The Sheriff's office did and always will follow court orders. In reference to the court order that is referred to in the report, the court order was followed. There was no misuse as cited in the audit report.*

Auditor's Comment

6.5 Section 57.280, RSMo, specifies the fees that the sheriff may retain for the execution and sale of goods, but does not have any provision permitting the sheriff to place all of the proceeds from the sale in the Sheriff Civil Fund.

6.6 Information provided indicates this court order was not followed.

7. Public Administrator's Controls and Procedures

Controls and procedures in the Public Administrator's office need improvement. The Public Administrator was the court appointed personal representative for 54 individuals comprised of 33 active estates or individuals requiring annual settlements/status reports, and 21 decedent estates as of December 31, 2015.

7.1 Annual settlements

The Public Administrator does not always file annual settlements/status reports timely. During our review of the 33 active cases, we found 25 cases did not have annual settlements/status reports filed timely. Six cases had not had settlements/status filed since 2011, 15 cases since 2012, and one case since 2013. Additionally, an annual settlement/status report has never been filed for 3 cases assigned to the Public Administrator from 2011 to 2013.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. Timely



Stone County Management Advisory Report - State Auditor's Findings

filing of settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors, loss, theft, or misuse of funds will go undetected.

7.2 Case disposition and written agreements

The Public Administrator has not filed final settlements following the death or assignment of a ward for 11 of the 21 decedent estates. As of 2015, 7 of these individuals/decedent estates died and/or were later assigned to the Public Administrator from 5 to 22 years ago, and 4 of these individuals/decedent estates died and/or were later assigned from 2 to 4 years ago.

Additionally, assets, including bank account balances and real estate, had not been distributed to the estates' heirs, used to satisfy claims against the estate, or escheated to the state for these 11 cases. For example, assets valued at approximately \$350,000 as of December 31, 2014, for a ward that passed away in 2005, have not been distributed to the ward's heirs, used to satisfy claims against the estate, or escheated to the state. In another case, assets valued at approximately \$14,000 as of December 31, 2014, for a decedent who passed away in 1990 with the estate assigned to the Public Administrator in 1993, have not been distributed to the ward's heirs, used to satisfy claims against the estate, or escheated to the state. In addition, the Public Administrator did not timely file a final settlement for another decedent estate until November 2015, following the assignment of the ward in 2010. The Public Administrator's attorneys filed for continuances on her behalf for 12 of these cases in July, August, and October 2015, during the course of our audit.

Also, the Public Administrator has not entered into a written agreement with one of the decedent's 4 heirs for exclusive use of the decedent's 240 acre farm in exchange for upkeep of the farm's fences, insurance coverage, utilities, and the payment of the annual property taxes.

To reduce the risk of loss, theft, or misuse of assets, the Public Administrator should ensure final settlements are filed timely and assets are promptly distributed to heirs. In addition, written agreements are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Recommendations

The Public Administrator:

- 7.1 Ensure annual settlements are filed timely.
- 7.2 File timely final settlements for deceased individuals and decedent estates and petition the court for orders of distribution. In addition, the Public Administrator should enter into a written rental agreement regarding usage of the farm.



Stone County
Management Advisory Report - State Auditor's Findings

Auditee's Response

7.1 *I would concur that annual settlements and/or status reports are not always filed timely and I will, to the best of my ability and resources attempt to file more timely in the future. Of the cases that you have denoted as being "active," you list 6 that had not been filed since 2011, when there wasn't a filing due on them until 2012. Of the 15 cases you denote as having not been filed on since 2012, there was no filing due on them until 2013. The one case that you denote as not been filed on since 2013, was not due for a filing until 2014.*

Section 475.120, RSMo, requires a guardian to assure that the ward resides in the best and least restrictive setting reasonably available; assure that the ward receives medical care and other services that are needed; promote and protect the care, comfort, safety, health and welfare of the ward; and to provide required consents on behalf of the ward. It is a very time consuming effort to see that all of these requirements are met for all of the wards that the office of Public Administrator is in charge of. It is the belief of this auditee that these requirements are as important, if not more so than the requirements of filing annual settlements and status reports. I believe this is also reflected in the Probate Code as the statutory duties of a guardian are 4 times more than only 2 statutes directing the filing of annual settlements and reports. This is not to minimize the importance of either of these requirements, but since I am an office of one, it is very difficult at times to meet all the requirements and I have to, on a daily basis consider the more "pressing issues" of the day and take care of emergency situations as they arise.

I have met with the County Commission and they are being very supportive in agreeing to assist this office in the future with what is needed to assure that your recommendations are put in place.

7.2 *In the 11 estates that have not been disposed of there are, like in many probate estates, issues that are difficult to resolve and that often require legal action to resolve all issues before the estates can be settled. In 5 of the 11 estates, I was named the successor representative. This means that there was a representative appointed prior to me that did not fulfill their duty and obligations, leaving very difficult cases for me to administer. Issues ranging from ongoing Medicare appeals, waiting on refunds from hospitals, trying to locate and recover property taken by previous representatives, waiting on distributions from bankruptcy proceedings, to getting clear title to sell properties are just to name a few of the aforementioned difficulties in getting these estates disposed of. Progress continues to be made in winding up the administration of these estates. Even since the end of your audit, 2*



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more of the estates are in a position and due to be closed in April 2016.

There have been partial distributions made in all of the estates where heirs are the beneficiaries. In one of these cases, the sole heir has already received all real estate and other assets with the exception of some abandoned assets I am attempting to recover from another state. In the example that is given where there are assets valued at approximately \$350,000, a total of approximately \$390,000 has already been distributed to the heirs. The majority of the remaining assets left in this estate are numerous tracts of real estate that is legally not available to sell at the present time. In the second case that you mention in the report where "assets valued at approximately \$14,000," the delay in closing this estate that has been open for over 22 years is due to issues in resolving mineral/oil rights in the state of Texas.

Concerning the case you cite where a final settlement was not timely filed on a case that was opened in 2010 until 2015, I will respond that it took that long trying to locate the first Personal Representative to recover the property from the estate.

Concerning the issue of written agreements, I will in the future, enter into written rental agreements when the situation merits this type of agreement. In the case that is cited, I would not agree that this was a "rental" agreement. Due to an order entered in November 2006 (10 years ago) by a Judge in the county where the property is located, the control of the aforementioned farm was removed from my jurisdiction and authority pending further legal rulings by the appellate court.

8. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected approximately \$168,000 in bad check and court-ordered restitution and fees and delinquent taxes during the year ended December 31, 2014.

8.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting and bank records. Three Administrative Assistants issue receipt slips for monies received. One of these Administrative Assistants is responsible for all other duties including entering all information including payments related to bad check complaints and court-ordered restitution in the computerized accounting system, depositing and disbursing monies, and reconciling the bank account. In addition, the Assistant Prosecuting Attorney is primarily responsible for receipting, recording, and transmitting monies received for delinquent tax



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collections to the Missouri Department of Revenue (DOR). The Prosecuting Attorney does not perform a documented supervisory review of the accounting and bank records to ensure all monies received are properly recorded and deposited or transmitted, and disbursed to the appropriate parties.

Also, one of the Administrative Assistants has the ability to record adjustments to the computerized accounting system without obtaining independent approval. In addition, a report of adjustments made to the computerized accounting system is not generated and compared to supporting documentation. Common reasons for adjustments recorded in the computerized accounting systems include transferring cases from one system to another, adjusting the amount paid, or correcting errors. At our request, a report of adjustments was generated and adjustments totaled approximately \$213,000 in 2015.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential and include comparing daily receipt activity to deposits and a review of adjustments made to the accounting system.

8.2 Receipting, recording, reconciling, and depositing

The Prosecuting Attorney has not established proper controls or procedures for receipting, recording, reconciling, and depositing monies. We noted the following concerns:

- Receipt slips are not always issued for delinquent tax collections. We noted office personnel did not issue receipt slips for 2 payments received in May 2014 totaling \$5,239.
- Office personnel do not always record the method of payment on the receipt slips/ledger for delinquent tax collections.
- Recorded delinquent tax receipts are not reconciled to transmittals to the DOR, and transmittal forms are not always prepared in sequential order.
- Manual receipt slips issued are not reconciled with monies posted to the computerized accounting system to ensure all monies received are properly recorded.
- Monies received are not recorded in the computerized accounting system until they are deposited and disbursed, and they are not deposited timely. Deposits are typically made weekly.



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For example, \$1,000 cash received on December 15, 2014, was not recorded in the computerized accounting system until December 18, 2014, or deposited until December 19, 2014. This deposit of \$1,788 included monies collected from December 11 through December 18, 2014.

Failure to implement adequate receipting, recording, reconciling, and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

8.3 Liabilities and book balances

A list of liabilities is not prepared and reconciled to the available cash balance monthly. In addition, book balances are not maintained, and as a result, the bank balance cannot be reconciled to the book balance each month. As of August 31, 2015, the reconciled bank balance was \$165. The Administrative Assistant indicated she believed the balance was made up of interest and unidentified monies.

Preparing lists of liabilities and also maintaining a running book balance are necessary to ensure accounting records are in balance and increase the likelihood errors will be identified. Regular identification and comparison of liabilities to the available cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities.

8.4 Accounts receivables

Office personnel do not retain and document their review of a monthly list of unpaid bad checks and restitution. A complete and accurate list of unpaid bad checks and restitution would allow office personnel to more easily review the amounts due, take appropriate steps to ensure amounts due are collected, and determine if any amounts are uncollectible.

Similar conditions previously reported

Similar conditions to sections 8.1 and 8.3 were noted in our prior audit report.

Recommendations

The Prosecuting Attorney:

- 8.1 Segregate accounting duties or ensure supervisory reviews of accounting and bank records are performed and documented. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments made to the accounting system.
- 8.2 Issue receipt slips for all monies received, accurately record the method of payment, reconcile the composition of receipts to the composition of deposits, timely record all monies received in the computerized accounting system, reconcile manual receipt slips issued to the computerized accounting system and to DOR transmittal forms, prepare transmittal forms in numerical sequence, and deposit monies timely.



Stone County
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- 8.3 Prepare a monthly list of liabilities, reconcile the lists to the reconciled bank balances, and promptly investigate any differences. The Prosecuting Attorney should also maintain a running book balance, and dispose of unidentified monies in accordance with state law.
- 8.4 Establish procedures to monitor and collect accounts receivables.

Auditee's Response

- 8.1 *Bad check and restitution payments are receipted in the front office by Administrative Assistant 2 (AA2) or another Administrative Assistant 3 (AA3). Administrative Assistant 1 (AA1) only writes receipts for credit card payments (in which case the money is not ever physically in our office) or if no one else is available. AA2 keeps the payments and receipt book locked in a safe.*

On at least a weekly basis AA2 retrieves the payments and receipt book. AA2 prepares the deposit and the receipt book is given to AA1 who enters the information from the receipt book into our computerized case management system and makes disbursements. AA1's totals are then compared with the deposit prepared by AA2 to make sure both are accurate. Deposits are taken to the bank on a rotating basis by various office personnel (along with picking up or delivering the mail).

AA1 reconciles the bank account. The reconciliation is checked and approved by AA2 monthly and by myself at least quarterly. This review is documented by signing off on the bank statement.

I had the understanding that these protocols were approved by the auditors during our last audit.

Delinquent tax collections - I believed that since these collections were basically a "pass through" (all monies paid to us are in the form of checks or money orders made payable to the DOR, are never deposited, and go directly to the DOR with a form provided by DOR) and since almost all payments are mailed in, that there wasn't much to "segregate." We also had a new person handling tax collections which led to some of the concerns mentioned in the receipting and recording section of the audit report. This breakdown was due to a lack of adequate training on my part. The changes recommended have been made and the protocol and procedures are now consistent with those in other parts of the office.

Adjustments - AA1 oversees bad check and restitution collection in the office. As mentioned above, she is the one who enters payments



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into the computerized management system. AA1 does not have administrative privileges in the case management system and therefore does not have access to the system itself and cannot make adjustments to the system once payments are entered. If AA1 recognizes that an adjustment does need to be made she is required to obtain approval from AA2 or myself. If AA2 or myself approves the adjustment, AA2 then makes the adjustment in the case management system. Every adjustment is documented in the system and a report of adjustments can be run; however, we have not maintained a separate list of adjustments made in the past and have implemented a procedure to do so.

Regarding adjustments, the total of \$213,000 mentioned in the audit is misleading because we changed case management systems and every single case had to be "adjusted" as it was switched from the old case management system to the new one. Once the initial switch was completed adjustments are seldom made (3-4 per month) and when they are made they have to be approved by at least two people as outlined above.

- 8.2 *The first three concerns mentioned in the audit are regarding the delinquent tax collections. They have been remedied as mentioned above. Monies posted to the case management system are taken directly from the manual receipt book. Monies received are recorded in the case management system, deposited, and disbursed on at least a weekly basis.*
- 8.3 *The case management system does not maintain a "book balance" thus there is not a "book balance" to reconcile to. The \$165 mentioned in the audit was made up of interest and an unidentified restitution payment that had been on the bank balance for several months. That amount was turned over to the Stone County Treasurer in October 2015, as planned.*
- 8.4 *Our case management system does generate a report of unpaid restitution as well as the date and amount of the last payment. We do run the report monthly and appropriately and aggressively take steps to collect amounts due. We will begin keeping a copy of the monthly reports.*

Auditor's Comment

- 8.1 *Our review indicated one person was primarily responsible for all activity, which differs from the procedures indicated by the Prosecuting Attorney. The Prosecuting Attorney should ensure procedures are operating as indicated. Controls and procedures can change over time, and our review during this audit indicated they were not sufficient. During a meeting with auditors on March 28,*



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2016, the Prosecuting Attorney indicated he did not document his review of bank statements reconciliations, and our review of bank statements and bank reconciliations during the audit indicated his review was not documented.

9. Planning and Zoning Department

Controls and procedures in the planning and zoning department need improvement. The planning and zoning department collected various fees totaling approximately \$127,000 related to building permits and appeals during the year ended December 31, 2014.

9.1 Segregation of duties

The planning and zoning Director has not adequately segregated accounting duties or performed supervisory reviews of accounting and bank records. The Deputy Director and 2 other employees issue receipt slips for monies received. The Deputy Director is also responsible for all other accounting duties including recording receipts on the daily log, recording deposits and checks in the check register, preparing deposits, signing many of the checks, and preparing the bank reconciliations. The Director does not perform a documented supervisory review of the accounting and bank records to ensure all monies received are properly deposited and disbursed.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential and include comparing daily receipt activity to deposits.

9.2 Receipting, depositing and physical controls

The planning and zoning department has not established proper controls or procedures for receipting and depositing monies and does not have adequate physical controls over monies received and blank checks.

- Receipt slips are not always issued for credit card payments.
- Monies received are not deposited timely and intact. For example, \$7,441 received on July 1, 2015, through July 17, 2015, was not deposited until July 20, 2015. In addition, 2 checks totaling \$44 collected on August 14 and August 18, 2015, were held and not deposited until January 20, 2016. Other monies collected from August 11, 2015, to August 19, 2015, were deposited on August 20, 2015. The Deputy Director indicated these 2 checks were held because the related building permits had not been approved.
- Receipts and blank checks are not maintained in a secure location and are kept in an unlocked desk drawer that is accessible to the public.



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Failure to implement adequate receipting, depositing, and securing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

Recommendations

The County Commission:

- 9.1 Ensure accounting duties are segregated or ensure independent or supervisory reviews of accounting and bank records are performed and documented.
- 9.2 Ensure planning and zoning department monies are receipted, deposited intact and timely, and receipts and blank checks are maintained in a secure location.

Auditee's Response

- 9.1 *The County Commission has already implemented this recommendation. The County Commission has directed the Planning and Zoning Director to (1) segregate accounting duties, (2) ensure that she will review accounting records and bank records on a monthly basis, and (3) document such reviews on a monthly basis.*
- 9.2 *The County Commission has already implemented this recommendation. The County Commission has directed the Planning and Zoning Director to (1) ensure receipts are receipted at the time received, (2) ensure monies are deposited intact on a daily basis, (3) keep blank checks in a secure location, and (4) discontinue holding payments submitted until the application arrives.*

10. Recorder of Deeds' Controls and Procedures

Controls and procedures in the Recorder of Deeds' office need improvement. The office collected various fees totaling approximately \$823,000 related to recording documents such as marriage licenses and deeds during the year ended December 31, 2014.

10.1 Receipting and depositing

The Recorder of Deeds has not established proper controls and procedures for receipting and depositing monies collected.

The daily summary collection reports generated do not itemize the individual receipts collected, and the deposit slips do not itemize the individual receipts deposited. As a result, the Recorder of Deeds does not account for the numerical sequence of receipt numbers assigned by the computerized accounting system or reconcile the individual receipts collected to the individual receipts deposited. In addition, a comparison of the voided receipt reports generated at the time a void transaction occurs to the total number of voided receipts reported on the daily summary collection report is not performed.



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To ensure monies received are properly recorded and deposited, and to reduce the risk of loss, theft, or misuse of funds, the Recorder of Deeds should ensure adequate controls are in place to properly account for the numerical sequence of receipt numbers including voided receipts, and reconcile individual receipts collected to individual receipts deposited.

10.2 Physical controls

The Recorder of Deeds does not have adequate physical controls over monies received and her signature stamp.

- During a cash count conducted on August 3, 2015, the Recorder of Deeds indicated a Deputy Clerk in her office failed to take a \$51 deposit (comprised of monies collected after 3 p.m. on July 31, 2015) to the bank and took the monies home with her over the weekend. The monies were deposited on Monday morning, August 3, 2015, just prior to our cash count.
- The Recorder of Deeds does not properly control her signature stamp. She allowed the Chief Deputy in her office to apply the signature stamp to checks, but does not document her review of the use of the stamp. If the Recorder of Deeds is unavailable to sign checks, she should subsequently document her review of checks signed with her signature stamp.

To safeguard against possible loss or misuse of funds and to ensure receipts are properly handled, monies received should be maintained in the Recorder of Deeds' office in a secure location until deposit. In addition, if the Recorder of Deeds is unavailable to sign checks, she should subsequently document her review of documents on which her signature is applied.

Recommendations

The Recorder of Deeds:

- 10.1 Prepare itemized reports and deposit slips, reconcile individual receipts collected to deposits, and account for the numerical sequence of all receipt numbers, including voided receipts.
- 10.2 Ensure monies collected are maintained in a secure location within the Recorder of Deeds' office until deposited, and review use of her facsimile stamp.

Auditee's Response

- 10.1 *A daily report is currently generated at each individual cash station that is reconciled with daily deposits. This is verified by a second individual who creates one deposit for the total five cash stations on a daily basis. Itemized reports are currently available in our software. We use and review reports on a regular basis. We do not print the reports due to the mass of paper it creates and they are easily accessible in our system when needed. We also do an end of the month reconciliation with the bank statement. We will start*



Stone County
Management Advisory Report - State Auditor's Findings

printing, reviewing, and storing these detailed reports for documentation, which include itemized receipts and voids.

- 10.2 *A Friday afternoon marriage license resulting in a deposit of \$51, which was not deposited until Monday, was an isolated incident. I have reminded my staff of the importance of securing the county's monies at all times in our existing locking drawers. Disbursements are made at the end of the month. My deputy writes 9 checks on the same day to the same 9 entities, no more, no less each month. After this disbursement the checkbook is handed to me for review. I do review the use of my signature stamp, however to resolve this issue, I will no longer be using a signature stamp in my office.*

Stone County

Organization and Statistical Information

Stone County is a county-organized, third-class county. The county seat is Galena.

Stone County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 170 full-time employees (including elected officials) and 10 part-time employees on December 31, 2014.

In addition, county operations include a County Highway Commission, Planning and Zoning Board, Senior Citizens' Services Board, a Law Enforcement Restitution Board, and neighborhood improvement districts.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2015	2014
Dennis Wood, Presiding Commissioner	\$	38,040
Mark W. Maples, Associate Commissioner		35,640
Jerry Dodd, Associate Commissioner		35,640
Amy Jo Larson, Recorder of Deeds		54,000
Judy Berkstresser, County Clerk		54,000
Matt Selby, Prosecuting Attorney		132,272
Doug Rader, Sheriff		54,000
Kristi Stephens, County Treasurer		54,000
Rick Stumpff, County Coroner		19,200
Glenda Wendy Metcalf, Public Administrator		54,000
Vicki A. May, County Collector, year ended February 28,	54,000	
Brad Hudson, County Assessor, year ended August 31,		54,000
Rick Kemp, County Surveyor (1)		

(1) Compensation on a fee basis.



Nicole Galloway, CPA
Missouri State Auditor

Seventeenth Judicial Circuit

City of Harrisonville Municipal Division



May 2016

Report No. 2016-028

<http://auditor.mo.gov>



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Harrisonville Municipal Division

Noncash Transactions	The Municipal Judge approves noncash transactions that court personnel post to the case management system, which include community service; jail time served; and waiver of fines, court costs, and fees through judicial order. However, a subsequent review of the actual transactions posted to the system is not performed to ensure all transactions are valid and accounted for properly.
Prosecuting Attorney Approval	The Prosecuting Attorney does not sign tickets processed by the municipal division, and his approval of dismissed traffic tickets is not always clearly documented. The Prosecuting Attorney allows court personnel to maintain and use his signature stamp on traffic tickets. Of 60 tickets reviewed by auditors, 58 tickets contained the Prosecuting Attorney's facsimile signature and 2 tickets had no signature or approval notation. Court personnel are also allowed to dismiss traffic violations issued for no proof of insurance if the defendant later provides proof of insurance; however, it is not possible to determine if the charges were dismissed by the Prosecuting Attorney or court personnel. There is also no indication that the Prosecuting Attorney reviewed charges dismissed by court personnel.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Seventeenth Judicial Circuit

City of Harrisonville Municipal Division

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Seventeenth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Harrisonville, Missouri

We have audited certain operations of the City of Harrisonville Municipal Division of the Seventeenth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

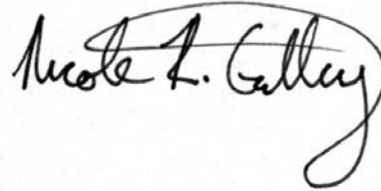
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, (3) noncompliance with a court rule, and (4) no significant noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Harrisonville Municipal Division of the Seventeenth Judicial Circuit.

A petition audit of the City of Harrisonville, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Keisha Williams
Audit Staff:	Susan D. Mason, CPA

Seventeenth Judicial Circuit

City of Harrisonville Municipal Division

Management Advisory Report - State Auditor's Findings

1. Noncash Transactions

The municipal division has not established procedures to ensure a subsequent review of all noncash transactions posted to the case management system is performed by an independent person.

The Judge approves noncash transactions that court personnel post to the case management system. However, a subsequent independent review of actual transactions posted to the system is not performed. The Court Administrator and Assistant Court Administrator, who record noncash transactions in the case management system, also collect fines and court costs and post them to the system. Noncash transactions include community service; jail time served; and waiver of fines, court costs, and fees through a judicial order. Court personnel posted 227 noncash transactions totaling \$18,790 to the system during the year ended December 31, 2015.

To ensure all noncash transactions are valid and accounted for properly, a subsequent review of all adjustments to the case management system by an independent person should be performed and documented.

Recommendation

The City of Harrisonville Municipal Division ensure a subsequent review of all noncash transactions is performed by an independent person.

Auditee's Response

We have already implemented a new process for review and approval consistent with the recommendation.

2. Prosecuting Attorney Approval

The Prosecuting Attorney does not sign tickets processed by the municipal division and the Prosecuting Attorney's approval of dismissed traffic tickets is not always clearly documented.

The Prosecuting Attorney allows court personnel to maintain and use his signature stamp on traffic tickets. Our review of 60 tickets noted the Prosecuting Attorney's clear authorization to file charges was not present. Of the 60 tickets, 58 tickets contained the Prosecuting Attorney's facsimile signature and the other 2 tickets had no signature or other approval notation. Six of the 60 tickets were later dismissed by court personnel. Court personnel are allowed to dismiss traffic violations issued for no proof of insurance if the defendant later provides proof of insurance. It is not always possible to determine which charges were dismissed by the Prosecuting Attorney or dismissed by court personnel, and there is no indication charges dismissed by court personnel are reviewed by the Prosecuting Attorney to ensure their propriety.

The ability of the Court Clerk to dismiss tickets and apply the Prosecuting Attorney's signature by facsimile stamp without a review by the Prosecuting Attorney is a significant control weakness, and increases the likelihood of tickets being handled improperly and the risk of loss, theft, or misuse of monies going undetected. Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the



Seventeenth Judicial Circuit
City of Harrisonville Municipal Division
Management Advisory Report - State Auditor's Findings

municipal division. The Prosecuting Attorney's review, documented with his signature, is needed to provide assurance proper cases and charges are filed with the municipal division. Additionally, to ensure the proper disposition of all cases has been entered in the municipal division records, the Prosecuting Attorney should sign or initial all dismissed tickets indicating his review and approval.

Recommendation

The City of Harrisonville Municipal Division ensure the Prosecuting Attorney signs all tickets and reviews and approves all dismissed tickets. Additionally, the Prosecuting Attorney should discontinue allowing the use of his facsimile signature, unless accompanied by his initials to indicate his review and approval.

Auditee's Response

The Municipal Judge indicated he has spoken with the Prosecuting Attorney, and a new process will be implemented where the Prosecuting Attorney will initial the use of his signature stamp, and the court has already implemented a review process for all dismissed tickets.

Seventeenth Judicial Circuit

City of Harrisonville Municipal Division

Organization and Statistical Information

The City of Harrisonville Municipal Division is in the Seventeenth Judicial Circuit, which consists of Cass and Johnson Counties. The Honorable William B. Collins serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. The municipal division does not utilize the Office of State Court Administrator's statewide automated case management system known as JIS. Instead, the municipal division utilizes Incode, an automated case management system provided by Tyler Technologies, which has been approved for use in municipal divisions by the State Judicial Records Committee.

Personnel

At December 31, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	Kevin Anderson
Court Administrator	Raschelle Perry
Assistant Court Administrator	Dawn Prewitt

Financial and Caseload Information

	Year Ended December 31, 2015
Receipts	\$227,400
Number of cases filed	2,065

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 12.00
Shelters for Victims of Domestic Violence	2.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Inmate Prisoner Detainee Security	2.00
Sheriff's Retirement Fund	3.00
Failure to Appear (FTA) Fee ¹	75.00

¹ In September 2015, the Municipal Division stopped issuing FTA fees and began waiving previously assessed FTA fees.



Seventeenth Judicial Circuit
City of Harrisonville Municipal Division
Organization and Statistical Information

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report which can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2014agencyreports.pdf?sfvrsn=2>. The following table presents data excerpted from the AGO report for the City of Harrisonville Police Department. In addition, see information at <https://ago.mo.gov/home/vehicle-stops-report/2014-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

Racial Profiling Data/2014 - Harrisonville Police Department - Population 7,593¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	3289	3162	76	31	9	1	10
Searches	276	261	7	6	0	1	1
Arrests	212	200	7	4	0	1	0
Statewide Population	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population	N/A	94.31	1.19	2.12	0.63	0.67	1.08
Disparity Index ²	N/A	1.02	1.95	0.44	0.43	0.05	0.28
Search Rate ³	8.39	8.25	9.21	19.35	0.00	100.00	10.00
Contraband hit rate ⁴	40.58	41.38	14.29	33.33	#Num!	100.00	0.00
Arrest rate ⁵	6.45	6.33	9.21	12.90	0.00	100.00	0.00

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#Num! indicates zero denominator



Office of Missouri State Auditor
Nicole Galloway, CPA

Missouri Statewide Performance
Indicators:
A National Comparison

Missouri Statewide Performance Indicators: A National Comparison
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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The objective of this report was to present compiled comparative data on various policy and performance issue areas to:

1. Provide comparative information to Missouri legislators, other elected officials, and citizens.
2. Without comment, or drawing conclusions, allow the comparative data and rankings to stand alone as indicators.
3. Publish the report in a technical format that provides information, and trends when classifiable, without presumptions or findings.

Data collection for this report was performed by the Harry S Truman School of Public Affairs' Institute of Public Policy at the University of Missouri - Columbia.

Many policymakers have found that monitoring performance indicators can provide valuable information regarding policy development, as well as government action. Similar reports conducted elsewhere have been helpful in providing a snapshot as to where states are positioned in relation to each other in critical areas dealing with the economy, health, crime, education, transportation, and civic involvement. Comparative analysis can serve to help measure progress made in relation to others and is becoming increasingly more important for generally establishing the direction states are headed in a variety of policy areas. Also, because statistical information is constantly evolving, updated information can almost always be found from sources drawn upon in this report, as well as from other qualified monitoring sources.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
Director of Audits: Robert Showers, CPA, CGAP
In-Charge Auditor: Terri Erwin, MBA, CGAP



Missouri Statewide Performance Indicators: A National Comparison

Economy

The following indicators were selected to measure the performance of Missouri's economy:

Household Median Income - The median household income is the amount which divides households into two equal groups, one having incomes above that amount and the other having incomes below that amount. The data was provided by the Census Bureau. In 2014, Missouri ranked 36th with a household median income below the national average.

Job Growth Rate - Job growth statistics represent the growth in the number of jobs in the state. The data was obtained from *State rankings 2015: A Statistical View of America*, CQ Press. In 2013-2014, Missouri ranked 22nd with a job growth rate below the national average.

Unemployment Rate - Unemployment rate data is obtained by conducting a monthly sample survey called the Current Population Survey (CPS) to measure the extent of unemployment in the country. There are approximately 110,000 individuals included in the survey. The CPS sample is selected so as to be representative of the entire population of the United States. The survey is designed so that each person age 16 and over who is neither in an institution (for example, correctional facilities and residential nursing and mental health care facilities) nor on active duty in the Armed Forces is counted and classified in only one group. The sum of the employed and the unemployed constitutes the civilian labor force. The data was provided by the Bureau of Labor Statistics. In December 2015, Missouri ranked 19th with an unemployment rate better than the national average.

State and Local Tax Revenue as a Percentage of Personal Income - The amount of state and local taxes collected, divided by personal income. The data was provided by the Urban-Brookings Tax Policy Center. In 2013, Missouri ranked 48th with a revenue percentage lower than the national average.

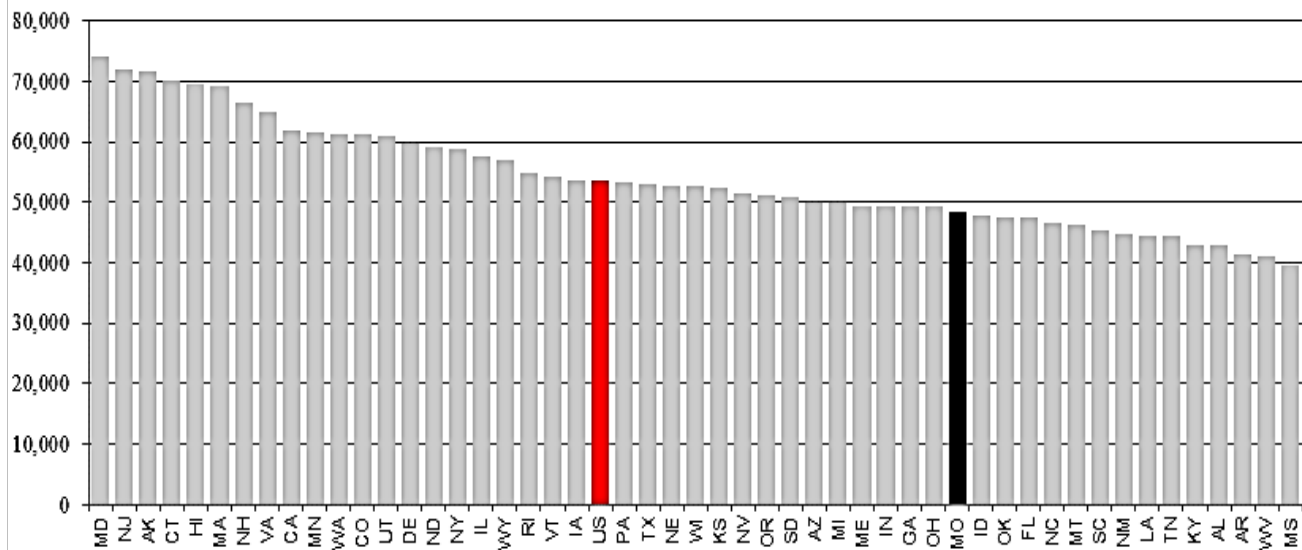
State Cigarette Tax - The amount of tax levied, in dollars, by a state on the sale of a pack of cigarettes. The data was provided by the Urban-Brookings Tax Policy Center and the Federation of Tax Administrators. Missouri continues to rank 50th with the lowest cigarette tax in the country and a state cigarette tax rate significantly below the national average.

Percent of Population in Poverty - The percent of the population that has a yearly income below the federal poverty level. The data was provided by the Census Bureau. In 2014, Missouri ranked 30th with a rate matching the national average.

Percent of Children in Poverty - The percent of children under age 18 living in a household whose yearly income is below the federal poverty level. The data was provided by the Census Bureau. In 2014, Missouri ranked 28th, with a rate slightly less than the national average.

Economy

Household Median Income: 2014



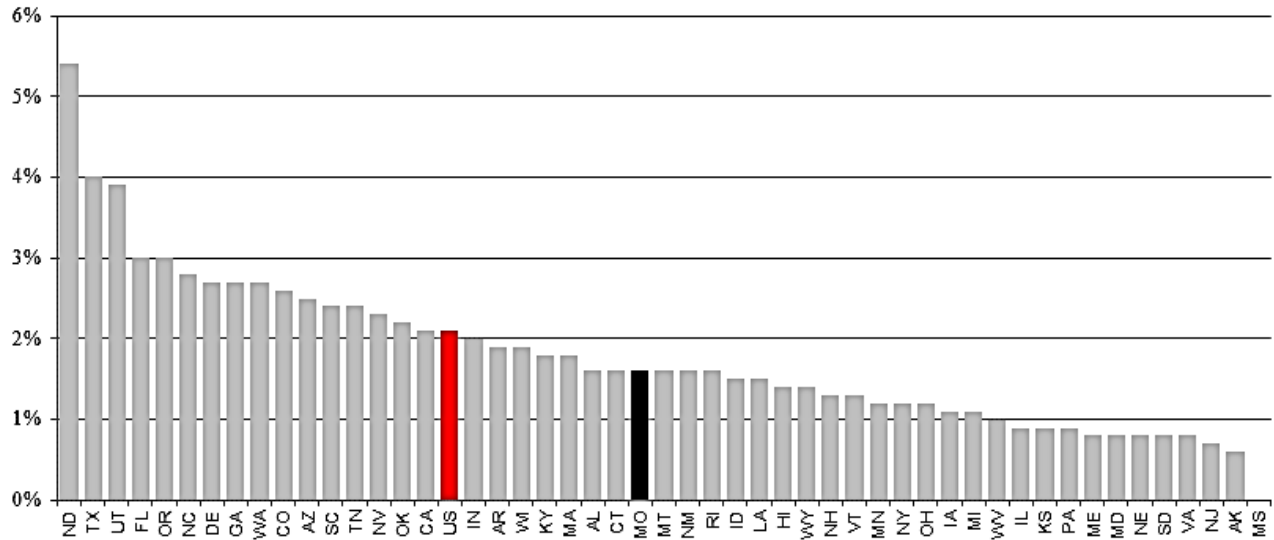
Rank	State	Dollars	Rank	State	Dollars
1	Maryland	73,971	26	Kansas	52,504
2	New Jersey	71,919	27	Nevada	51,450
3	Alaska	71,583	28	Oregon	51,075
4	Connecticut	70,048	29	South Dakota	50,979
5	Hawaii	69,592	30	Arizona	50,068
6	Massachusetts	69,160	31	Michigan	49,847
7	New Hampshire	66,532	32	Maine	49,462
8	Virginia	64,902	33	Indiana	49,446
9	California	61,933	34	Georgia	49,321
10	Minnesota	61,481	35	Ohio	49,308
11	Washington	61,366	36	Missouri	48,363
12	Colorado	61,303	37	Idaho	47,861
13	Utah	60,922	38	Oklahoma	47,529
14	Delaware	59,716	39	Florida	47,463
15	North Dakota	59,029	40	North Carolina	46,556
16	New York	58,878	41	Montana	46,328
17	Illinois	57,444	42	South Carolina	45,238
18	Wyoming	57,055	43	New Mexico	44,803
19	Rhode Island	54,891	44	Louisiana	44,555
20	Vermont	54,166	45	Tennessee	44,361
21	Iowa	53,712	46	Kentucky	42,958
	US Average	53,657	47	Alabama	42,830
22	Pennsylvania	53,234	48	Arkansas	41,262
23	Texas	53,035	49	West Virginia	41,059
24	Nebraska	52,686	50	Mississippi	39,680
25	Wisconsin	52,622			

Year	Missouri		US Average	
	Dollars	Rank	Dollars	
2014	\$48,363	36	\$53,657	
2013	\$46,931	37	\$52,250	
2012	\$45,321	37	\$51,371	

Source: census.gov

Economy

Job Growth Rate: 2013-2014



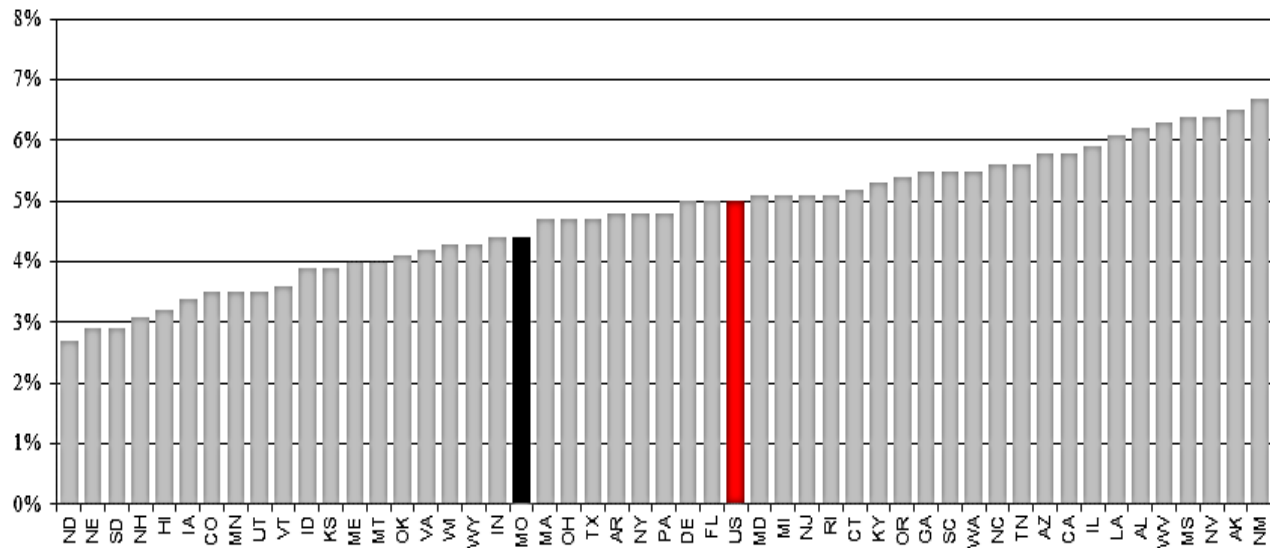
	State	Percent	Rank	State	Percent
1	North Dakota	5.4%	22	New Mexico	1.6%
2	Texas	4.0%	22	Rhode Island	1.6%
3	Utah	3.9%	28	Idaho	1.5%
4	Florida	3.0%	28	Louisiana	1.5%
4	Oregon	3.0%	30	Hawaii	1.4%
6	North Carolina	2.8%	30	Wyoming	1.4%
7	Delaware	2.7%	32	New Hampshire	1.3%
7	Georgia	2.7%	32	Vermont	1.3%
7	Washington	2.7%	34	Minnesota	1.2%
10	Colorado	2.6%	34	New York	1.2%
11	Arizona	2.5%	34	Ohio	1.2%
12	South Carolina	2.4%	37	Iowa	1.1%
12	Tennessee	2.4%	37	Michigan	1.1%
14	Nevada	2.3%	39	West Virginia	1.0%
15	Oklahoma	2.2%	40	Illinois	0.9%
16	California	2.1%	40	Kansas	0.9%
	US Average	2.1%	40	Pennsylvania	0.9%
17	Indiana	2.0%	43	Maine	0.8%
18	Arkansas	1.9%	43	Maryland	0.8%
18	Wisconsin	1.9%	43	Nebraska	0.8%
20	Kentucky	1.8%	43	South Dakota	0.8%
20	Massachusetts	1.8%	43	Virginia	0.8%
22	Alabama	1.6%	48	New Jersey	0.7%
22	Connecticut	1.6%	49	Alaska	0.6%
22	Missouri	1.6%	50	Mississippi	0.0%
22	Montana	1.6%			

	Missouri		US Average	
Year	Percent	Rank	Percent	
2013-14	1.6%	22	2.1%	
2012-13	1.3%	24	1.6%	
2011-12	-0.1%	48	1.2%	

Source: State rankings 2015: A Statistical View of America, CQ Press

Economy

Unemployment Rate: December 2015



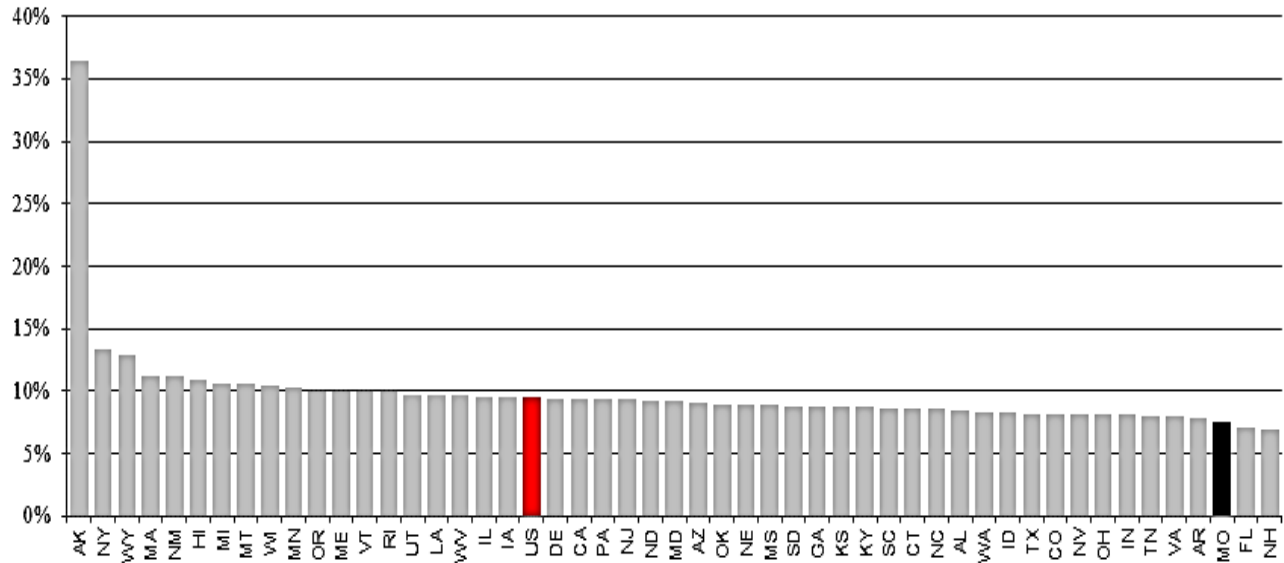
Rank	State	Percent	Rank	State	Percent
1	North Dakota	2.7%	27	Delaware	5.0%
2	Nebraska	2.9%	27	Florida	5.0%
2	South Dakota	2.9%		US Average	5.0%
4	New Hampshire	3.1%	29	Maryland	5.1%
5	Hawaii	3.2%	29	Michigan	5.1%
6	Iowa	3.4%	29	New Jersey	5.1%
7	Colorado	3.5%	29	Rhode Island	5.1%
7	Minnesota	3.5%	33	Connecticut	5.2%
7	Utah	3.5%	34	Kentucky	5.3%
10	Vermont	3.6%	35	Oregon	5.4%
11	Idaho	3.9%	36	Georgia	5.5%
11	Kansas	3.9%	36	South Carolina	5.5%
13	Maine	4.0%	36	Washington	5.5%
13	Montana	4.0%	39	North Carolina	5.6%
15	Oklahoma	4.1%	39	Tennessee	5.6%
16	Virginia	4.2%	41	Arizona	5.8%
17	Wisconsin	4.3%	41	California	5.8%
17	Wyoming	4.3%	43	Illinois	5.9%
19	Indiana	4.4%	44	Louisiana	6.1%
19	Missouri	4.4%	45	Alabama	6.2%
21	Massachusetts	4.7%	46	West Virginia	6.3%
21	Ohio	4.7%	47	Mississippi	6.4%
21	Texas	4.7%	47	Nevada	6.4%
24	Arkansas	4.8%	49	Alaska	6.5%
24	New York	4.8%	50	New Mexico	6.7%
24	Pennsylvania	4.8%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2015	4.4%	19	5.0%	
2014	5.4%	21	5.6%	
2013	5.9%	17	6.7%	

Source: bls.gov

Economy

State and Local Tax Revenue as a Percentage of Personal Income: 2013

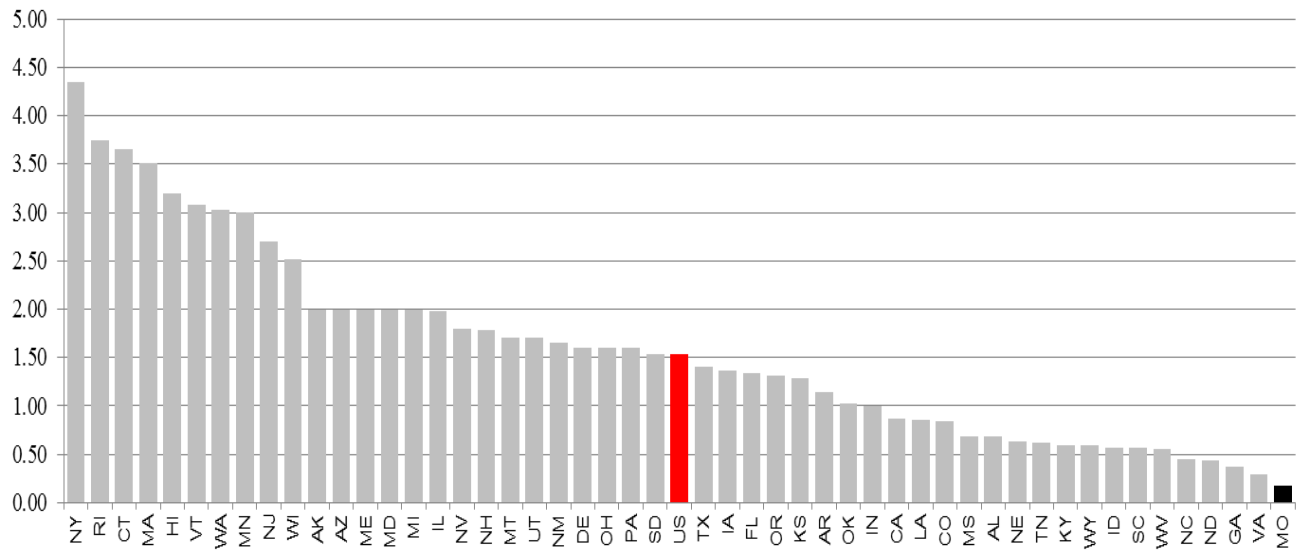


Rank	State	Percent	Rank	State	Percent
1	Alaska	36.40%	26	Arizona	9.13%
2	New York	13.30%	27	Oklahoma	8.98%
3	Wyoming	12.84%	28	Nebraska	8.93%
4	Massachusetts	11.29%	29	Mississippi	8.87%
4	New Mexico	11.29%	30	South Dakota	8.83%
6	Hawaii	10.85%	31	Georgia	8.79%
7	Michigan	10.61%	32	Kansas	8.78%
8	Montana	10.58%	33	Kentucky	8.71%
9	Wisconsin	10.52%	34	South Carolina	8.67%
10	Minnesota	10.32%	35	Connecticut	8.62%
11	Oregon	10.05%	36	North Carolina	8.60%
12	Maine	10.04%	37	Alabama	8.39%
13	Vermont	10.03%	37	Washington	8.39%
14	Rhode Island	9.95%	39	Idaho	8.32%
15	Utah	9.70%	40	Texas	8.15%
16	Louisiana	9.63%	41	Colorado	8.12%
17	West Virginia	9.62%	42	Nevada	8.11%
18	Illinois	9.59%	43	Ohio	8.10%
19	Iowa	9.56%	44	Indiana	8.09%
	US Average	9.46%	45	Tennessee	8.03%
20	Delaware	9.46%	46	Virginia	7.97%
21	California	9.36%	47	Arkansas	7.89%
22	Pennsylvania	9.34%	48	Missouri	7.55%
23	New Jersey	9.33%	49	Florida	7.15%
24	North Dakota	9.30%	50	New Hampshire	6.96%
25	Maryland	9.21%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2013	7.55%	48	9.46%	
2012	8.10%	44	9.69%	
2011	8.32%	46	9.93%	

Source: taxpolicycenter.org

State Cigarette Tax, in Dollars: 2016



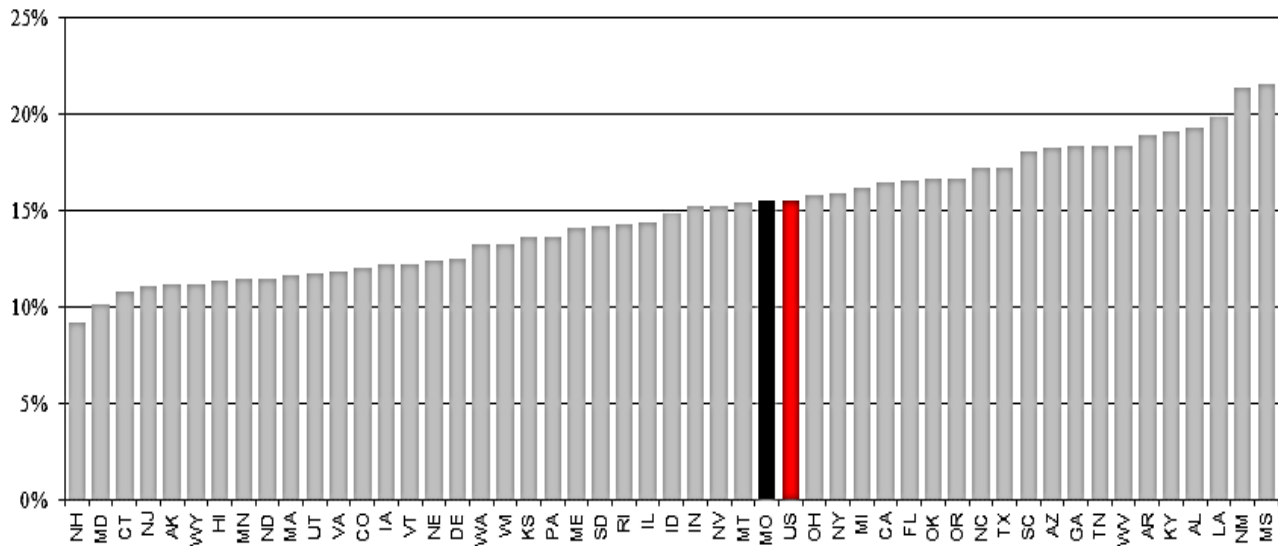
Rank	State	Tax	Rank	State	Tax
1	New York	4.35	26	Texas	1.41
2	Rhode Island	3.75	27	Iowa	1.36
3	Connecticut	3.65	28	Florida	1.34
4	Massachusetts	3.51	29	Oregon	1.32
5	Hawaii	3.20	30	Kansas	1.29
6	Vermont	3.08	31	Arkansas	1.15
7	Washington	3.03	32	Oklahoma	1.03
8	Minnesota	3.00	33	Indiana	1.00
9	New Jersey	2.70	34	California	.87
10	Wisconsin	2.52	35	Louisiana	.86
11	Alaska	2.00	36	Colorado	.84
11	Arizona	2.00	37	Mississippi	.68
11	Maine	2.00	37	Alabama	.68
11	Maryland	2.00	39	Nebraska	.64
11	Michigan	2.00	40	Tennessee	.62
16	Illinois	1.98	41	Kentucky	.60
17	Nevada	1.80	41	Wyoming	.60
18	New Hampshire	1.78	43	Idaho	.57
19	Montana	1.70	43	South Carolina	.57
19	Utah	1.70	45	West Virginia	.55
21	New Mexico	1.66	46	North Carolina	.45
22	Delaware	1.60	47	North Dakota	.44
22	Ohio	1.60	48	Georgia	.37
22	Pennsylvania	1.60	49	Virginia	.30
25	South Dakota	1.53	50	Missouri	.17
	US Average	1.53			

Year	Missouri		US Average	
	Tax	Rank	Tax	
2016	.17	50	1.53	
2015	.17	50	1.36	
2014	.17	50	1.36	

Source: taxadmin.org and taxpolicycenter.org

Economy

Percent of Population in Poverty: 2014

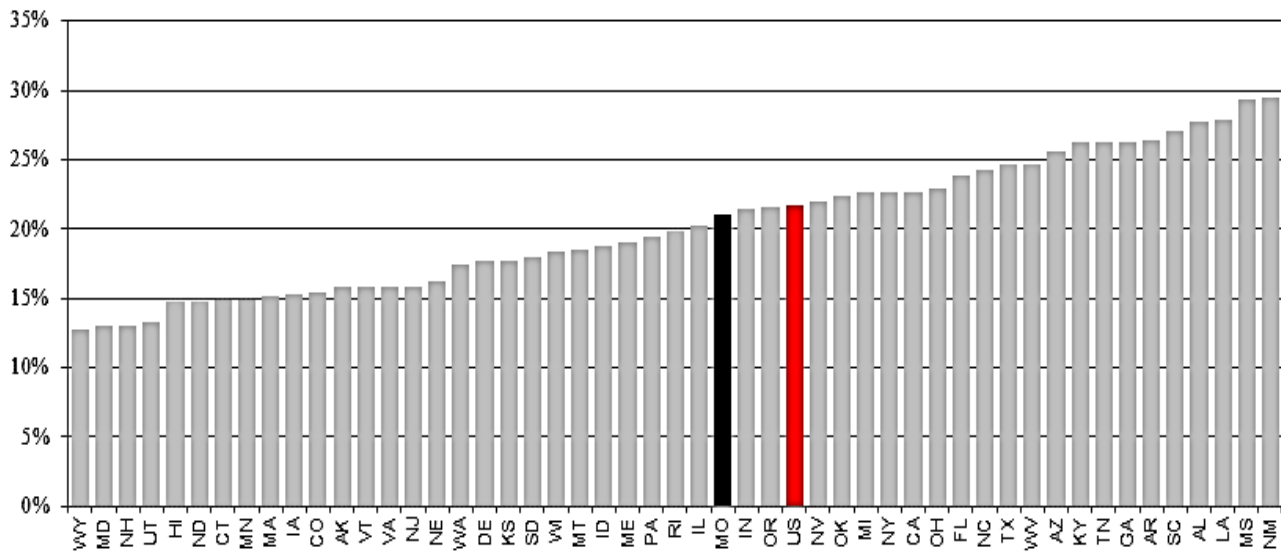


Rank	State	Percent	Rank	State	Percent
1	New Hampshire	9.2%	27	Indiana	15.2%
2	Maryland	10.1%	27	Nevada	15.2%
3	Connecticut	10.8%	29	Montana	15.4%
4	New Jersey	11.1%	30	Missouri	15.5%
5	Alaska	11.2%		US Average	15.5%
5	Wyoming	11.2%	31	Ohio	15.8%
7	Hawaii	11.4%	32	New York	15.9%
8	Minnesota	11.5%	33	Michigan	16.2%
8	North Dakota	11.5%	34	California	16.4%
10	Massachusetts	11.6%	35	Florida	16.5%
11	Utah	11.7%	36	Oklahoma	16.6%
12	Virginia	11.8%	36	Oregon	16.6%
13	Colorado	12.0%	38	North Carolina	17.2%
14	Iowa	12.2%	38	Texas	17.2%
14	Vermont	12.2%	40	South Carolina	18.0%
16	Nebraska	12.4%	41	Arizona	18.2%
17	Delaware	12.5%	42	Georgia	18.3%
18	Washington	13.2%	42	Tennessee	18.3%
18	Wisconsin	13.2%	42	West Virginia	18.3%
20	Kansas	13.6%	45	Arkansas	18.9%
20	Pennsylvania	13.6%	46	Kentucky	19.1%
22	Maine	14.1%	47	Alabama	19.3%
23	South Dakota	14.2%	48	Louisiana	19.8%
24	Rhode Island	14.3%	49	New Mexico	21.3%
25	Illinois	14.4%	50	Mississippi	21.5%
26	Idaho	14.8%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2014	15.5%	30	15.5%	
2013	15.9%	27	15.8%	
2012	16.2%	29	15.9%	

Source: census.gov

Percent of Children in Poverty: 2014



Rank	State	Rate	Rank	State	Dollars
1	Wyoming	12.8%	27	Illinois	20.2%
2	Maryland	13.0%	28	Missouri	21.1%
2	New Hampshire	13.0%	29	Indiana	21.5%
4	Utah	13.3%	30	Oregon	21.6%
5	Hawaii	14.7%		US Average	21.7%
6	North Dakota	14.8%	31	Nevada	22.0%
7	Connecticut	14.9%	32	Oklahoma	22.4%
7	Minnesota	14.9%	33	Michigan	22.6%
9	Massachusetts	15.2%	33	New York	22.6%
10	Iowa	15.3%	35	California	22.7%
11	Colorado	15.4%	36	Ohio	22.9%
12	Alaska	15.8%	37	Florida	23.8%
12	Vermont	15.8%	38	North Carolina	24.3%
12	Virginia	15.8%	39	Texas	24.6%
15	New Jersey	15.9%	40	West Virginia	24.7%
16	Nebraska	16.2%	41	Arizona	25.6%
17	Washington	17.5%	42	Kentucky	26.2%
18	Delaware	17.7%	42	Tennessee	26.2%
18	Kansas	17.7%	44	Georgia	26.3%
20	South Dakota	18.0%	45	Arkansas	26.4%
21	Wisconsin	18.4%	46	South Carolina	27.1%
22	Montana	18.5%	47	Alabama	27.7%
23	Idaho	18.8%	48	Louisiana	27.9%
24	Maine	19.1%	49	Mississippi	29.4%
25	Pennsylvania	19.4%	50	New Mexico	29.5%
26	Rhode Island	19.8%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2014	21.1%	28	21.7%	
2013	22.2%	29	22.2%	
2012	22.6%	28	22.6%	

Source: census.gov



Missouri Statewide Performance Indicators: A National Comparison

Education

The following indicators were selected to measure effectiveness of education in the state:

NAEP Scores - The National Assessment of Educational Progress (NAEP) is the only nationally representative and continuing assessment of what American students know in various subject areas. NAEP assessments are administered uniformly using the same sets of test booklets across the nation. The test serves as a common metric for all states and selected urban districts. The assessment stays mostly the same from year to year, with only carefully documented changes. The data was provided by the National Center for Education Statistics. In 2015, Missouri ranked 24th in 4th grade reading, and 21th in 8th grade reading. In 2015, Missouri ranked 29th in 4th grade math, and 29nd in 8th grade math.

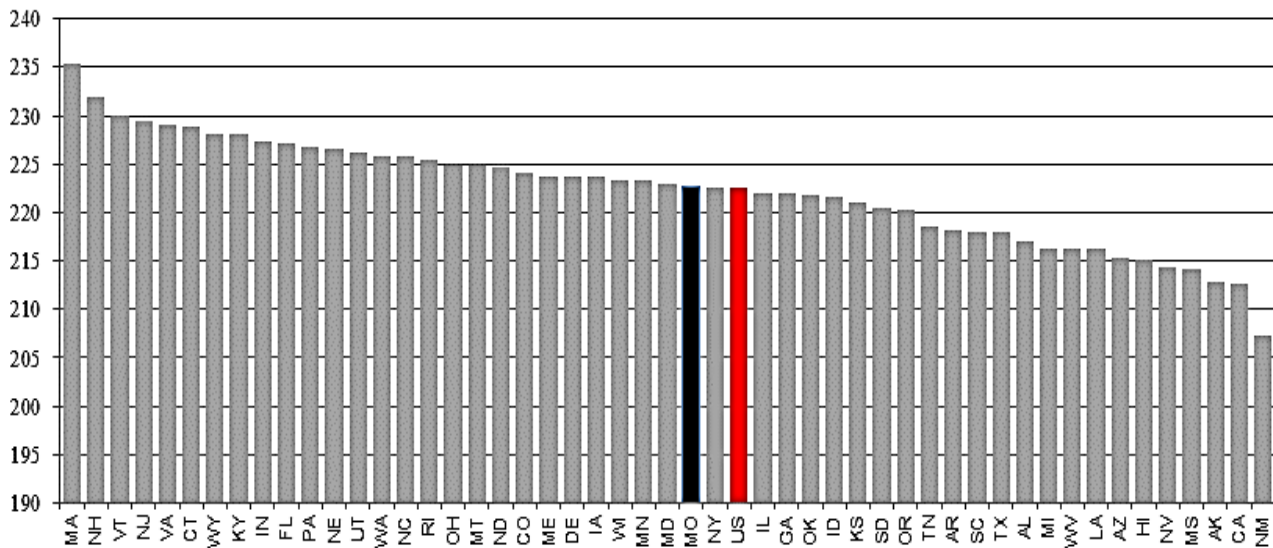
ACT Average Score - The ACT is a national college admissions examination that consists of subject area tests in: English, Mathematics, Reading, and Science plus a writing test. ACT results are accepted by all 4-year colleges and universities in the U.S. The ACT includes 215 multiple-choice questions and takes approximately 3 hours and 30 minutes to complete. The data was provided by ACT, Inc. In 2015, Missouri ranked 23rd.

Percent of Population with High School Diploma - Estimates the percent of the total population that is at least 25 years old with a high school diploma or equivalent. The data was provided by the Census Bureau. In 2014, Missouri ranked 28th.

Percent of Population with Bachelor's Degree - Estimates the percent of the total population that is at least 25 years old with a bachelor's degree or equivalent. The data was provided by the Census Bureau. In 2014, Missouri ranked 32nd.

Education

4th Grade NAEP Reading Scores: 2015



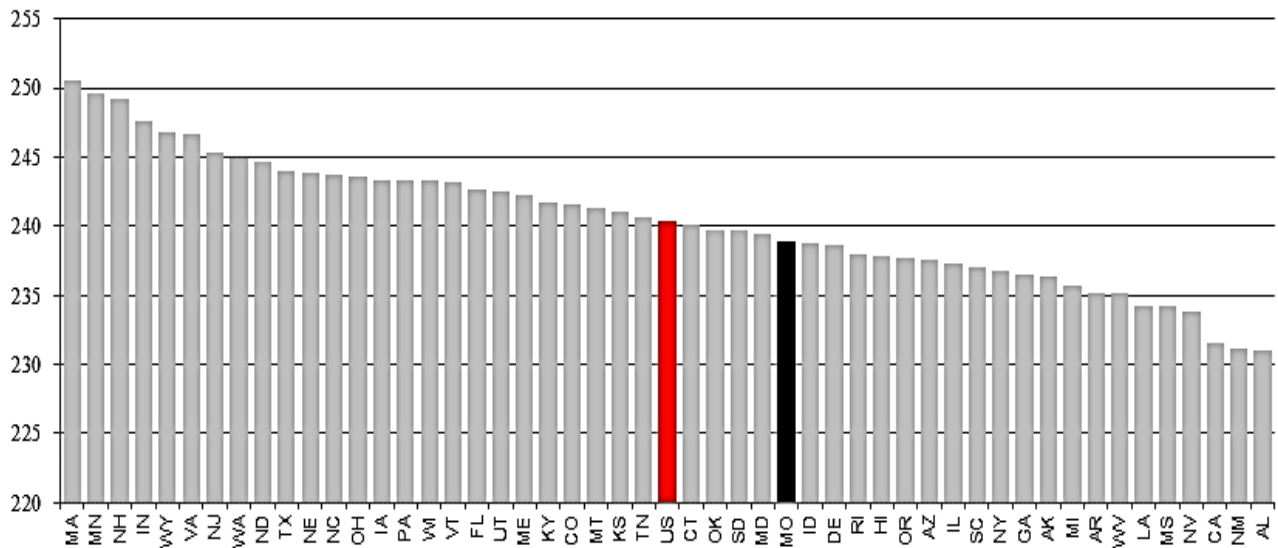
Rank	State	Score	Rank	State	Score
1	Massachusetts	235	24	Missouri	223
2	New Hampshire	232	24	New York	223
3	Vermont	230		US Average	223
4	New Jersey	229	29	Illinois	222
4	Virginia	229	29	Georgia	222
4	Connecticut	229	29	Oklahoma	222
7	Wyoming	228	29	Idaho	222
7	Kentucky	228	33	Kansas	221
9	Indiana	227	34	South Dakota	220
9	Florida	227	34	Oregon	220
9	Pennsylvania	227	36	Tennessee	219
9	Nebraska	227	37	Arkansas	218
13	Utah	226	37	South Carolina	218
13	Washington	226	37	Texas	218
13	North Carolina	226	40	Alabama	217
16	Rhode Island	225	41	Michigan	216
16	Ohio	225	41	West Virginia	216
16	Montana	225	41	Louisiana	216
16	North Dakota	225	44	Arizona	215
20	Colorado	224	44	Hawaii	215
20	Maine	224	46	Nevada	214
20	Delaware	224	46	Mississippi	214
20	Iowa	224	48	Alaska	213
24	Wisconsin	223	48	California	213
24	Minnesota	223	50	New Mexico	207
24	Maryland	223			

Year	Missouri		US Average	
	Score	Rank	Score	
2015	223	24	223	
2013	222	27	222	
2011	220	30	221	

Source: nces.ed.gov

Education

4th Grade NAEP Math Scores: 2015



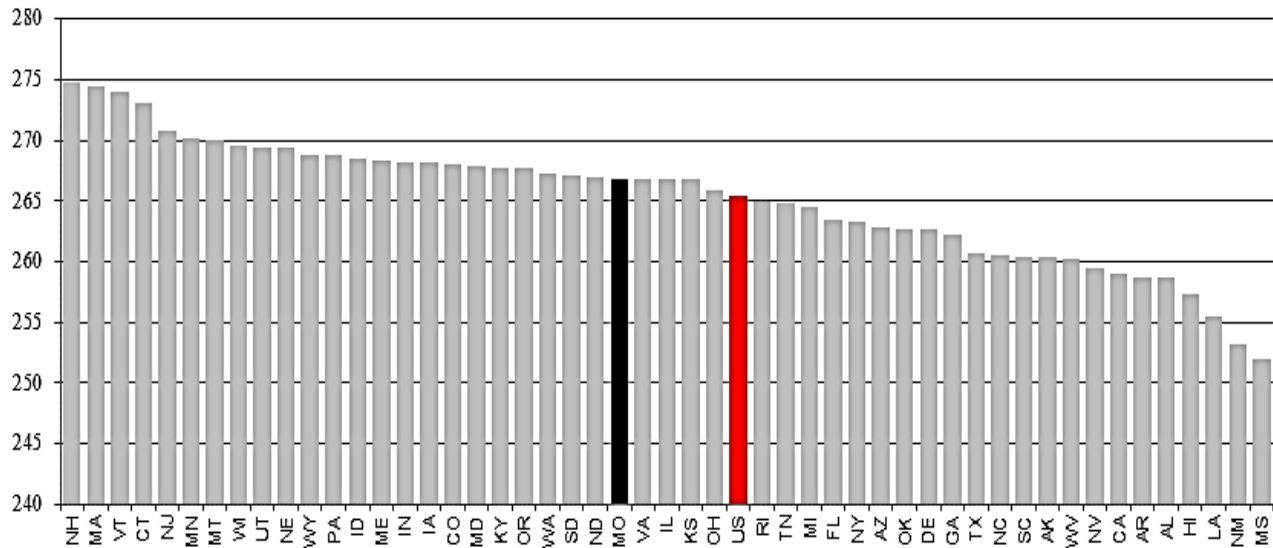
Rank	State	Score	Rank	State	Score
1	Massachusetts	251	26	Connecticut	240
2	Minnesota	250	26	Oklahoma	240
3	New Hampshire	249	26	South Dakota	240
4	Indiana	248	29	Maryland	239
5	Wyoming	247	29	Missouri	239
5	Virginia	247	29	Idaho	239
7	New Jersey	245	29	Delaware	239
7	Washington	245	33	Rhode Island	238
7	North Dakota	245	33	Hawaii	238
10	Texas	244	33	Oregon	238
10	Nebraska	244	33	Arizona	238
10	North Carolina	244	37	Illinois	237
10	Ohio	244	37	South Carolina	237
14	Iowa	243	37	New York	237
14	Pennsylvania	243	40	Georgia	236
14	Wisconsin	243	40	Alaska	236
14	Vermont	243	40	Michigan	236
14	Florida	243	43	Arkansas	235
14	Utah	243	43	West Virginia	235
20	Maine	242	45	Louisiana	234
20	Kentucky	242	45	Mississippi	234
20	Colorado	242	45	Nevada	234
23	Montana	241	48	California	232
23	Kansas	241	49	New Mexico	231
23	Tennessee	241	49	Alabama	231
	US Average	240			

Year	Missouri		US Average	
	Score	Rank	Score	
2015	239	29	240	
2013	240	32	242	
2011	240	27	241	

Source: nces.ed.gov

Education

8th Grade NAEP Reading Scores: 2015



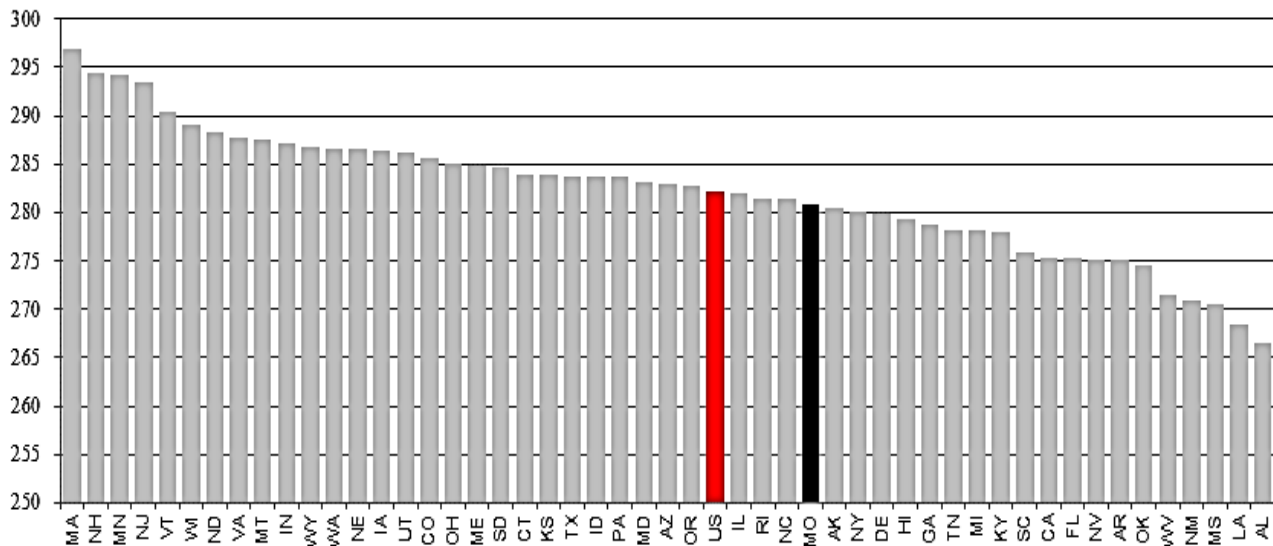
Rank	State	Score	Rank	State	Score
1	New Hampshire	275	21	Kansas	267
2	Massachusetts	274	28	Ohio	266
2	Vermont	274		US Average	265
4	Connecticut	273	29	Rhode Island	265
5	New Jersey	271	29	Tennessee	265
6	Minnesota	270	31	Michigan	264
6	Montana	270	32	Florida	263
6	Wisconsin	270	32	New York	263
9	Utah	269	32	Arizona	263
9	Nebraska	269	32	Oklahoma	263
9	Wyoming	269	32	Delaware	263
9	Pennsylvania	269	37	Georgia	262
9	Idaho	269	38	Texas	261
14	Maine	268	38	North Carolina	261
14	Indiana	268	40	South Carolina	260
14	Iowa	268	40	Alaska	260
14	Colorado	268	40	West Virginia	260
14	Maryland	268	43	Nevada	259
14	Kentucky	268	43	California	259
14	Oregon	268	43	Arkansas	259
21	Washington	267	43	Alabama	259
21	South Dakota	267	47	Hawaii	257
21	North Dakota	267	48	Louisiana	255
21	Missouri	267	49	New Mexico	253
21	Virginia	267	50	Mississippi	252
21	Illinois	267			

Year	Missouri		US Average	
	Score	Rank	Score	
2015	267	21	265	
2013	267	25	268	
2011	267	20	265	

Source: nces.ed.gov

Education

8th Grade NAEP Math Scores: 2015



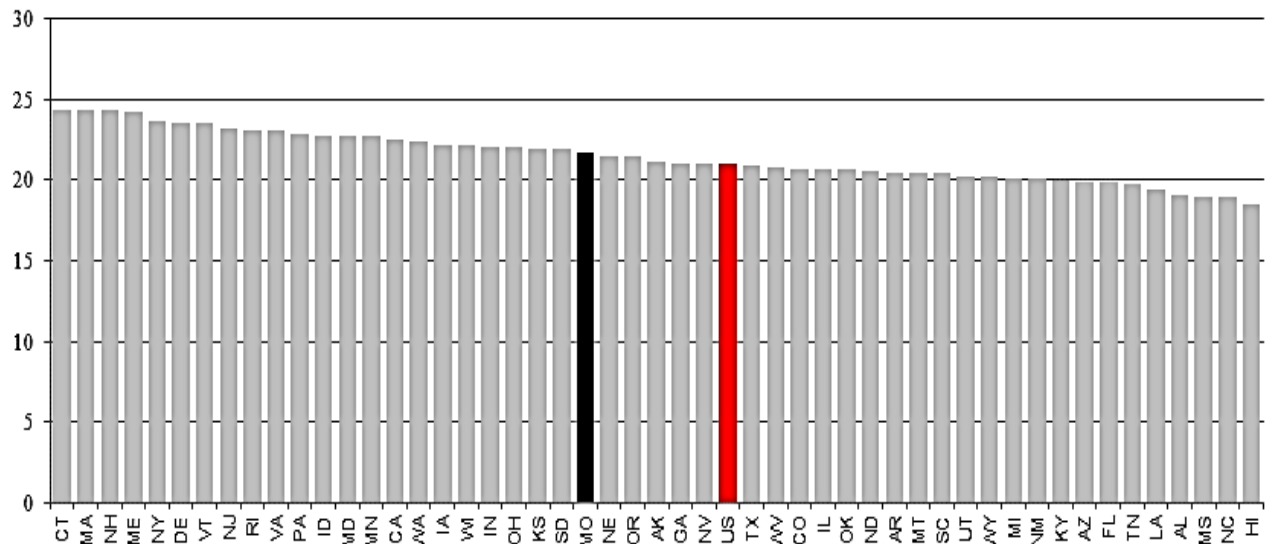
Rank	State	Score	Rank	State	Score
1	Massachusetts	297	25	Oregon	283
2	New Hampshire	294		US Average	282
2	Minnesota	294	28	Illinois	282
4	New Jersey	293	29	Rhode Island	281
5	Vermont	290	29	North Carolina	281
6	Wisconsin	289	29	Missouri	281
7	North Dakota	288	32	Alaska	280
7	Virginia	288	32	New York	280
9	Montana	287	32	Delaware	280
9	Indiana	287	35	Hawaii	279
9	Wyoming	287	35	Georgia	279
9	Washington	287	37	Tennessee	278
13	Nebraska	286	37	Michigan	278
13	Iowa	286	37	Kentucky	278
13	Utah	286	40	South Carolina	276
13	Colorado	286	41	California	275
17	Ohio	285	41	Florida	275
17	Maine	285	41	Nevada	275
17	South Dakota	285	41	Arkansas	275
20	Connecticut	284	41	Oklahoma	275
20	Kansas	284	46	West Virginia	271
20	Texas	284	46	New Mexico	271
20	Idaho	284	46	Mississippi	271
20	Pennsylvania	284	49	Louisiana	268
25	Maryland	283	50	Alabama	267
25	Arizona	283			

Year	Missouri		US Average	
	Score	Rank	Score	
2015	281	29	282	
2013	283	30	285	
2011	282	32	284	

Source: nces.ed.gov

Education

ACT Average Score: 2015



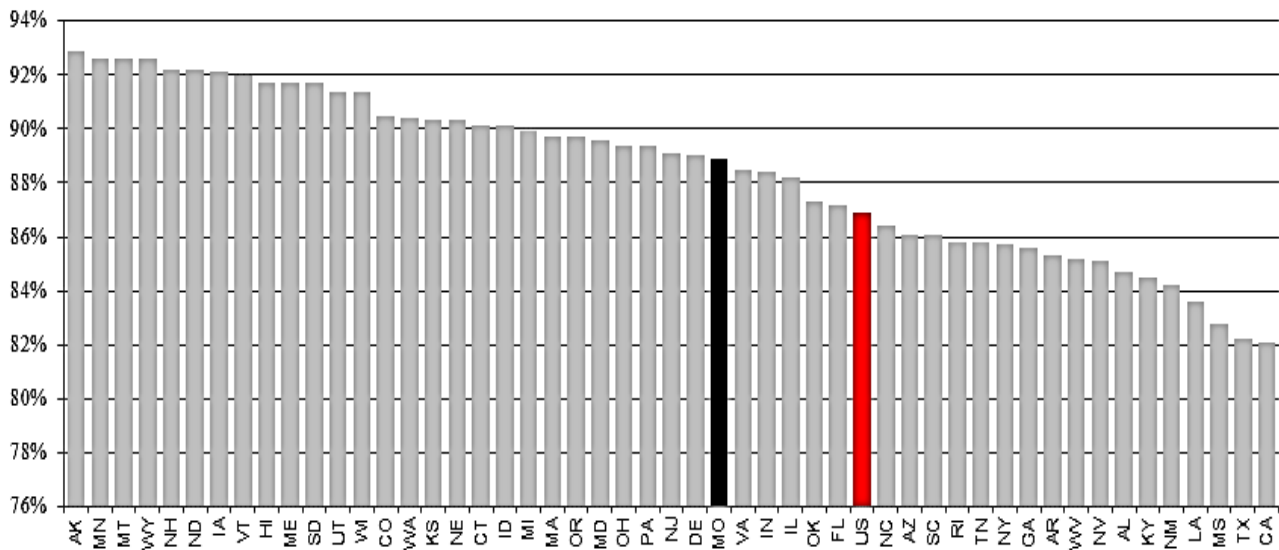
Rank	State	Score	Rank	State	Score
1	Connecticut	24.4	27	Georgia	21.0
1	Massachusetts	24.4	27	Nevada	21.0
3	New Hampshire	24.3		US Average	21.0
4	Maine	24.2	29	Texas	20.9
5	New York	23.7	30	West Virginia	20.8
6	Delaware	23.5	31	Colorado	20.7
6	Vermont	23.5	31	Illinois	20.7
8	New Jersey	23.2	31	Oklahoma	20.7
9	Rhode Island	23.1	34	North Dakota	20.6
9	Virginia	23.1	35	Arkansas	20.4
11	Pennsylvania	22.9	35	Montana	20.4
12	Idaho	22.7	35	South Carolina	20.4
12	Maryland	22.7	38	Utah	20.2
12	Minnesota	22.7	38	Wyoming	20.2
15	California	22.5	40	Michigan	20.1
16	Washington	22.4	40	New Mexico	20.1
17	Iowa	22.2	42	Kentucky	20.0
17	Wisconsin	22.2	43	Arizona	19.9
19	Indiana	22.1	43	Florida	19.9
20	Ohio	22.0	45	Tennessee	19.8
21	Kansas	21.9	46	Louisiana	19.4
21	South Dakota	21.9	47	Alabama	19.1
23	Missouri	21.7	48	Mississippi	19.0
24	Nebraska	21.5	48	North Carolina	19.0
24	Oregon	21.5	50	Hawaii	18.5
26	Alaska	21.1			

Year	Missouri		US Average	
	Score	Rank	Score	
2015	21.7	23	21.0	
2013	21.8	23	21.0	
2011	21.6	23	20.9	

Source: act.org

Education

Percent of Population with High School Diploma: 2014



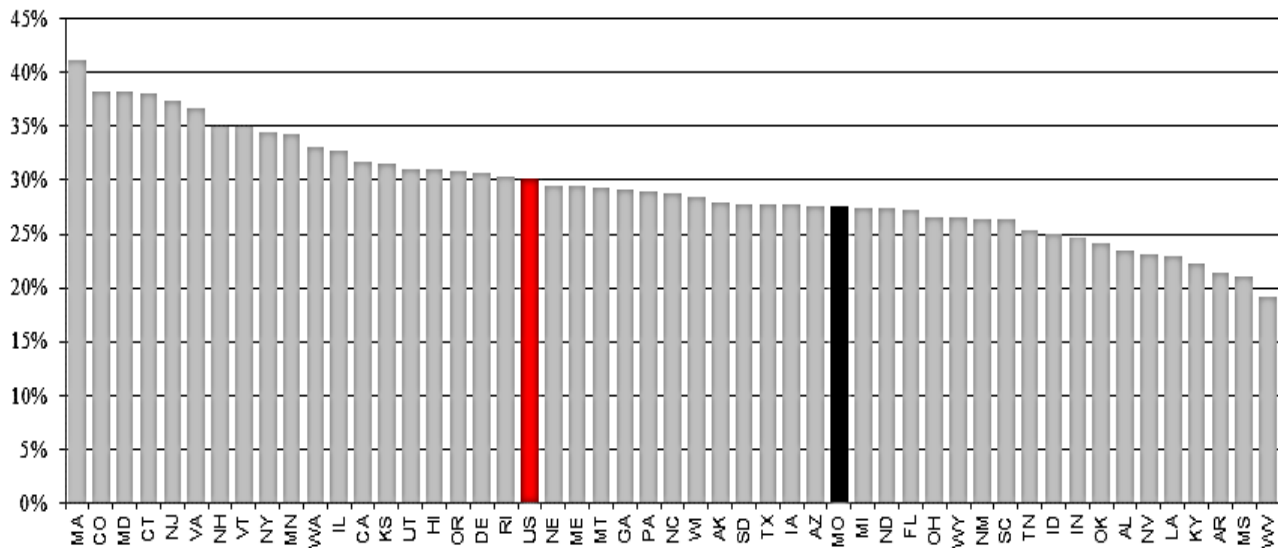
Rank	State	Percent	Rank	State	Percent
1	Alaska	92.9%	27	Delaware	89.0%
2	Minnesota	92.6%	28	Missouri	88.9%
2	Montana	92.6%	29	Virginia	88.5%
2	Wyoming	92.6%	30	Indiana	88.4%
5	New Hampshire	92.2%	31	Illinois	88.2%
5	North Dakota	92.2%	32	Oklahoma	87.3%
7	Iowa	92.1%	33	Florida	87.2%
8	Vermont	92.0%		US Average	86.9%
9	Hawaii	91.7%	34	North Carolina	86.4%
9	Maine	91.7%	35	Arizona	86.1%
9	South Dakota	91.7%	35	South Carolina	86.1%
12	Utah	91.4%	37	Rhode Island	85.8%
12	Wisconsin	91.4%	37	Tennessee	85.8%
14	Colorado	90.5%	39	New York	85.7%
15	Washington	90.4%	40	Georgia	85.6%
16	Kansas	90.3%	41	Arkansas	85.3%
16	Nebraska	90.3%	42	West Virginia	85.2%
18	Connecticut	90.1%	43	Nevada	85.1%
18	Idaho	90.1%	44	Alabama	84.7%
20	Michigan	89.9%	45	Kentucky	84.5%
21	Massachusetts	89.7%	46	New Mexico	84.2%
21	Oregon	89.7%	47	Louisiana	83.6%
23	Maryland	89.6%	48	Mississippi	82.8%
24	Ohio	89.4%	49	Texas	82.2%
24	Pennsylvania	89.4%	50	California	82.1%
26	New Jersey	89.1%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2014	88.9%	28	86.9%	
2013	88.7%	27	86.6%	
2012	88.0%	29	86.4%	

Source: census.gov

Education

Percent of Population with Bachelor's Degree: 2014



Rank	State	Percent	Rank	State	Percent
1	Massachusetts	41.2%	26	Wisconsin	28.4%
2	Colorado	38.3%	27	Alaska	28.0%
3	Maryland	38.2%	28	South Dakota	27.8%
4	Connecticut	38.0%	28	Texas	27.8%
5	New Jersey	37.4%	30	Iowa	27.7%
6	Virginia	36.7%	31	Arizona	27.6%
7	New Hampshire	35.0%	32	Missouri	27.5%
8	Vermont	34.9%	33	Michigan	27.4%
9	New York	34.5%	33	North Dakota	27.4%
10	Minnesota	34.3%	35	Florida	27.3%
11	Washington	33.1%	36	Ohio	26.6%
12	Illinois	32.8%	36	Wyoming	26.6%
13	California	31.7%	38	New Mexico	26.4%
14	Kansas	31.5%	39	South Carolina	26.3%
15	Utah	31.1%	40	Tennessee	25.3%
16	Hawaii	31.0%	41	Idaho	25.0%
17	Oregon	30.8%	42	Indiana	24.7%
18	Delaware	30.6%	43	Oklahoma	24.2%
19	Rhode Island	30.4%	44	Alabama	23.5%
	US Average	30.1%	45	Nevada	23.1%
20	Nebraska	29.5%	46	Louisiana	22.9%
21	Maine	29.4%	47	Kentucky	22.2%
22	Montana	29.3%	48	Arkansas	21.4%
23	Georgia	29.1%	49	Mississippi	21.1%
24	Pennsylvania	29.0%	50	West Virginia	19.2%
25	North Carolina	28.7%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2014	27.5%	32	30.1%	
2013	27.0%	33	29.6%	
2012	26.4%	33	29.1%	

Source: census.gov



Missouri Statewide Performance Indicators: A National Comparison

Civic Involvement

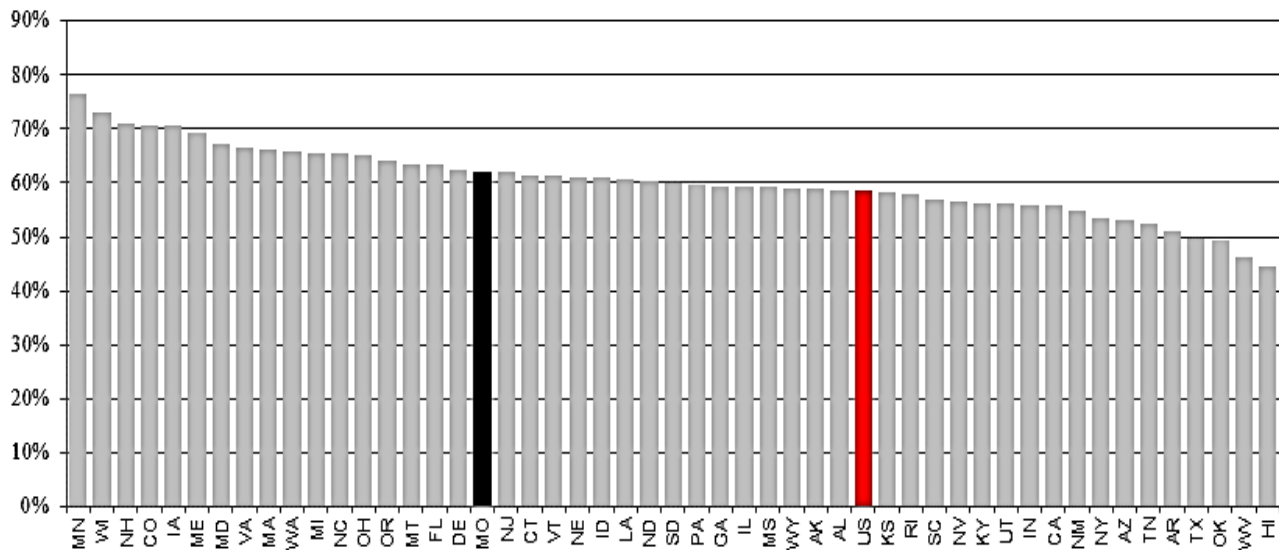
The following indicators were selected to measure the level of civic involvement by Missouri citizens:

Voter Turnout Rate, Presidential Election: 2012 - The percentage of the eligible voting age population who cast a ballot in the 2012 General Presidential Election. The data was provided by the United States Election Project at George Mason University. Missouri ranked 18th, which was a decrease from 10th in the 2008 Presidential election, but a better turnout than the national average.

Voter Turnout Rate, Mid-Term Election: 2014 - The percentage of the eligible voting age population who cast a ballot in the 2014 General Midterm Election. The data was provided by the United States Election Project at George Mason University. Missouri ranked 37th.

Civic Involvement

Voter Turnout Rate, Presidential Election: 2012



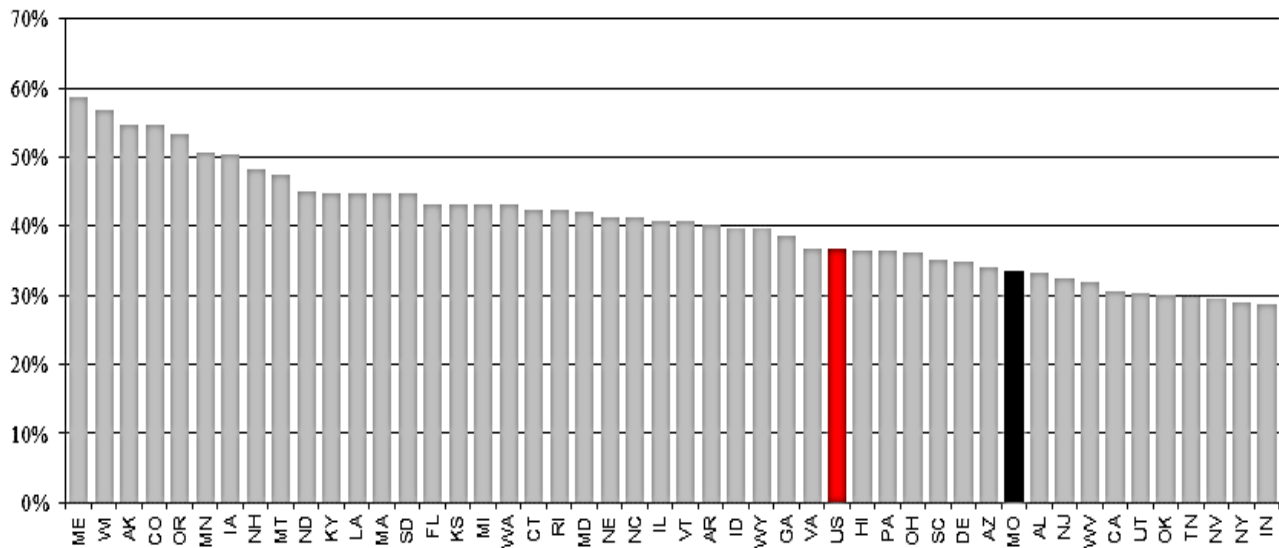
Rank	State	Percent	Rank	State	Percent
1	Minnesota	76.4%	27	Pennsylvania	59.5%
2	Wisconsin	72.9%	28	Georgia	59.3%
3	New Hampshire	70.9%	28	Illinois	59.3%
4	Colorado	70.6%	28	Mississippi	59.3%
4	Iowa	70.6%	31	Wyoming	59.0%
6	Maine	69.3%	32	Alaska	58.9%
7	Maryland	67.3%	33	Alabama	58.6%
8	Virginia	66.6%		US Average	58.6%
9	Massachusetts	66.2%	34	Kansas	58.2%
10	Washington	65.8%	35	Rhode Island	58.0%
11	Michigan	65.4%	36	South Carolina	56.8%
11	North Carolina	65.4%	37	Nevada	56.5%
13	Ohio	65.1%	38	Kentucky	56.2%
14	Oregon	64.2%	39	Utah	56.1%
15	Montana	63.5%	40	Indiana	56.0%
16	Florida	63.3%	41	California	55.7%
17	Delaware	62.3%	42	New Mexico	54.8%
18	Missouri	62.2%	43	New York	53.5%
18	New Jersey	62.2%	44	Arizona	53.0%
20	Connecticut	61.4%	45	Tennessee	52.3%
21	Vermont	61.2%	46	Arkansas	51.1%
22	Nebraska	61.1%	47	Texas	49.6%
23	Idaho	61.0%	48	Oklahoma	49.2%
24	Louisiana	60.8%	49	West Virginia	46.3%
25	North Dakota	60.4%	50	Hawaii	44.5%
26	South Dakota	60.1%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2012	62.2%	18	58.6%	
2008	68.2%	10	62.2%	
2004	66.1%	16	60.7%	

Source: electproject.org

Civic Involvement

Voter Turnout Rate, Mid-Term Election: 2014



Rank	State	Percent	Rank	State	Percent
1	Maine	58.7%	27	Idaho	39.8%
2	Wisconsin	56.9%	28	Wyoming	39.7%
3	Alaska	54.8%	29	Georgia	38.6%
4	Colorado	54.7%	30	Virginia	36.8%
5	Oregon	53.4%		US Average	36.7%
6	Minnesota	50.6%	31	Hawaii	36.5%
7	Iowa	50.3%	31	Pennsylvania	36.5%
8	New Hampshire	48.3%	33	Ohio	36.2%
9	Montana	47.5%	34	South Carolina	35.2%
10	North Dakota	45.0%	35	Delaware	34.9%
11	Kentucky	44.9%	36	Arizona	34.1%
11	Louisiana	44.9%	37	Missouri	33.6%
13	Massachusetts	44.7%	38	Alabama	33.2%
13	South Dakota	44.7%	39	New Jersey	32.5%
15	Florida	43.3%	40	West Virginia	32.0%
15	Kansas	43.3%	41	California	30.7%
17	Michigan	43.2%	42	Utah	30.3%
18	Washington	43.1%	43	Oklahoma	30.0%
19	Connecticut	42.5%	44	Tennessee	29.8%
20	Rhode Island	42.4%	45	Nevada	29.6%
21	Maryland	42.0%	46	New York	29.0%
22	Nebraska	41.4%	47	Indiana	28.7%
23	North Carolina	41.2%		Mississippi	no data
24	Illinois	40.8%		New Mexico	no data
24	Vermont	40.8%		Texas	no data
26	Arkansas	40.3%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2014	33.6%	37	36.7%	
2010	45.7%	21	41.8%	
2006	51.2%	11	41.3%	

Source: electproject.org



Missouri Statewide Performance Indicators: A National Comparison

Health

The following indicators were selected to evaluate the health of Missouri citizens:

Percent of Population who are Adult Smokers - The percentage of adults age 18 and older who report themselves to be smokers. This data was provided by the Centers for Disease Control. In 2014, Missouri ranked 38th, which is an improvement from being ranked 47th in 2008; however, the rate still exceeds the national average.

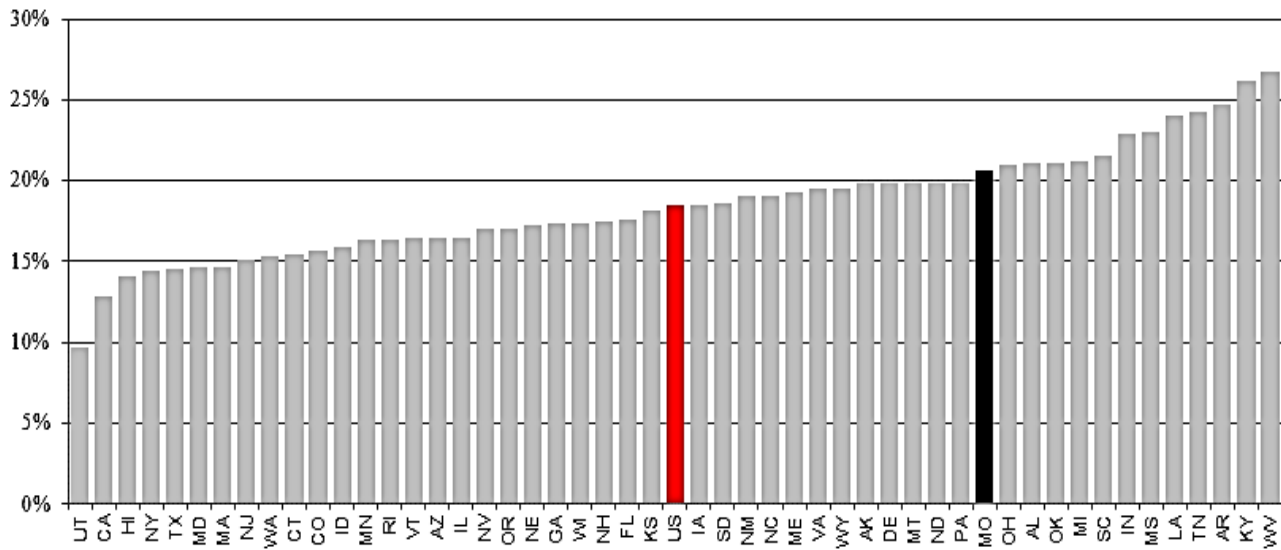
Percent of Population who are Overweight or Obese - The percent of the population who have a body mass index (BMI) of 30 or greater. The data was provided by the Centers for Disease Control. In 2014, Missouri ranked 28th.

Teen Birth Rate - The number of births to teenage women, age 15 to 19, per 1,000 women in the state. The data was provided by the Centers for Disease Control. In 2014, Missouri ranked 32nd.

Percent of Population without Health Insurance - The percent of the population that does not have any form of health insurance. The data was provided by the Census Bureau. In 2014, Missouri ranked 29th, with a rate matching the national average.

Health

Percent of Population who are Adult Smokers: 2014



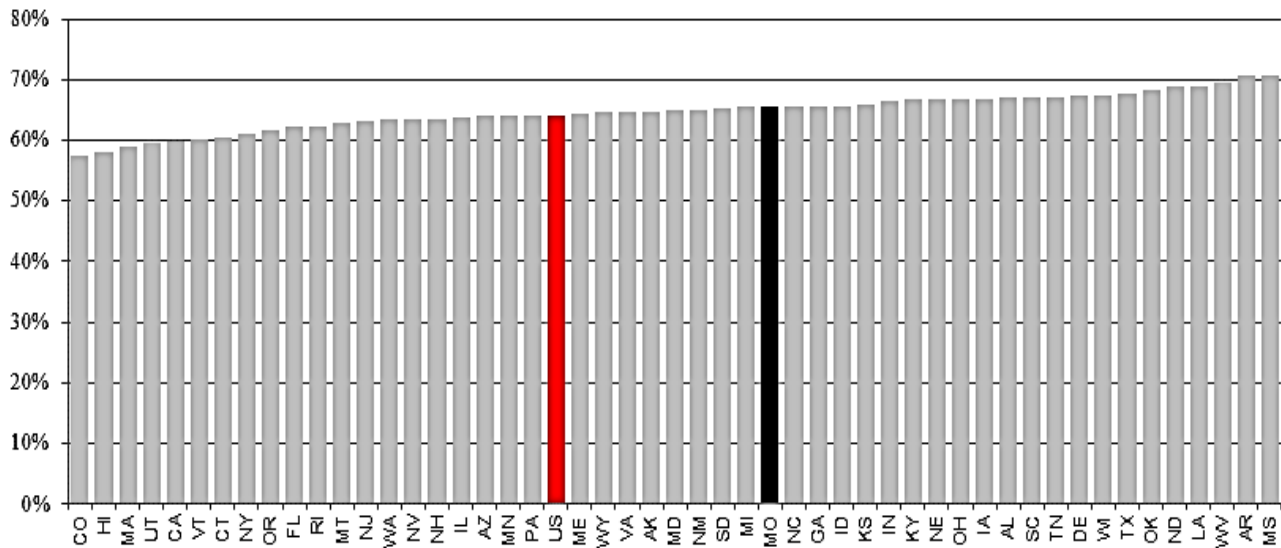
Rank	State	Percent	Rank	State	Percent
1	Utah	9.7%	26	Iowa	18.5%
2	California	12.8%	27	South Dakota	18.6%
3	Hawaii	14.1%	28	New Mexico	19.1%
4	New York	14.4%	28	North Carolina	19.1%
5	Texas	14.5%	30	Maine	19.3%
6	Maryland	14.6%	31	Virginia	19.5%
7	Massachusetts	14.7%	31	Wyoming	19.5%
8	New Jersey	15.1%	33	Alaska	19.9%
9	Washington	15.3%	33	Delaware	19.9%
10	Connecticut	15.4%	33	Montana	19.9%
11	Colorado	15.7%	33	North Dakota	19.9%
12	Idaho	15.9%	33	Pennsylvania	19.9%
13	Minnesota	16.3%	38	Missouri	20.6%
13	Rhode Island	16.3%	39	Ohio	21.0%
15	Vermont	16.4%	40	Alabama	21.1%
16	Arizona	16.5%	40	Oklahoma	21.1%
16	Illinois	16.5%	42	Michigan	21.2%
18	Nevada	17.0%	43	South Carolina	21.5%
18	Oregon	17.0%	44	Indiana	22.9%
20	Nebraska	17.3%	45	Mississippi	23.0%
21	Georgia	17.4%	46	Louisiana	24.0%
21	Wisconsin	17.4%	47	Tennessee	24.2%
23	New Hampshire	17.5%	48	Arkansas	24.7%
24	Florida	17.6%	49	Kentucky	26.2%
25	Kansas	18.1%	50	West Virginia	26.7%
	US Average	18.5%			

Missouri			US Average	
Year	Percent	Rank	Percent	
2014	20.6%	38	18.5%	
2013	22.1%	41	19.3%	
2012	23.9%	43	19.8%	

Source: cdc.gov

Health

Percent of Population who are Overweight or Obese: 2014

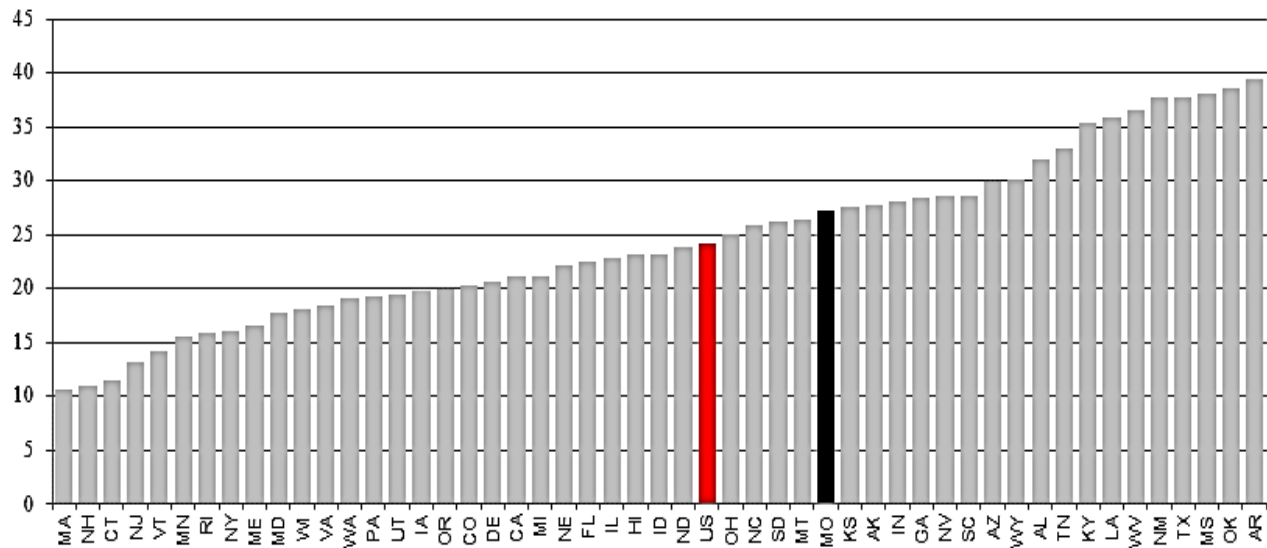


Rank	State	Percent	Rank	State	Percent
1	Colorado	57.4%	25	New Mexico	64.9%
2	Hawaii	58.1%	27	South Dakota	65.2%
3	Massachusetts	58.9%	28	Michigan	65.6%
4	Utah	59.5%	28	Missouri	65.6%
5	California	59.7%	28	North Carolina	65.6%
6	Vermont	60.2%	31	Georgia	65.7%
7	Connecticut	60.4%	31	Idaho	65.7%
8	New York	61.1%	33	Kansas	66.0%
9	Oregon	61.7%	34	Indiana	66.5%
10	Florida	62.2%	35	Kentucky	66.7%
11	Rhode Island	62.4%	35	Nebraska	66.7%
12	Montana	63.0%	35	Ohio	66.7%
13	New Jersey	63.1%	38	Iowa	66.9%
14	Washington	63.4%	39	Alabama	67.0%
15	Nevada	63.5%	39	South Carolina	67.0%
16	New Hampshire	63.6%	41	Tennessee	67.1%
17	Illinois	63.8%	42	Delaware	67.4%
18	Arizona	64.0%	42	Wisconsin	67.4%
19	Minnesota	64.1%	44	Texas	67.8%
19	Pennsylvania	64.1%	45	Oklahoma	68.2%
	US Average	64.1%	46	North Dakota	68.8%
21	Maine	64.5%	47	Louisiana	68.9%
22	Wyoming	64.6%	48	West Virginia	69.6%
23	Virginia	64.7%	49	Arkansas	70.6%
24	Alaska	64.8%	50	Mississippi	70.7%
25	Maryland	64.9%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2014	65.6%	28	64.1%	
2013	65.5%	31	63.8%	
2012	65.8%	38	63.4%	

Source: cdc.gov

Teen Birth Rate, Births per 1,000 Women: 2014



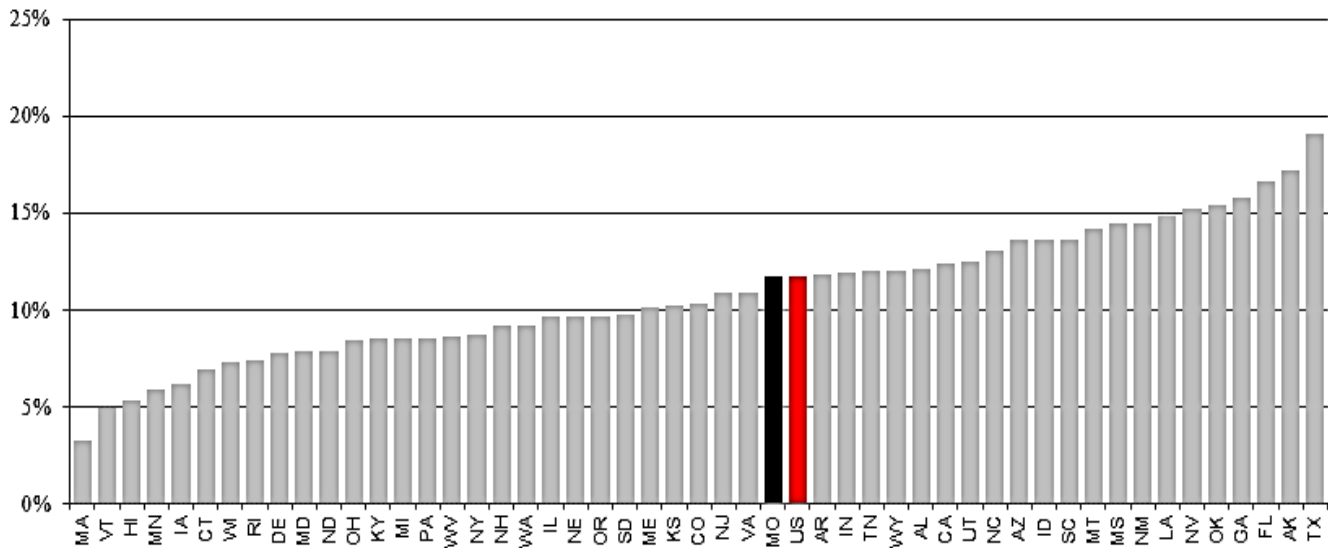
Rank	State	Rate	Rank	State	Rate
1	Massachusetts	10.6	27	North Dakota	23.9
2	New Hampshire	11.0		US Average	24.2
3	Connecticut	11.5	28	Ohio	25.1
4	New Jersey	13.1	29	North Carolina	25.9
5	Vermont	14.2	30	South Dakota	26.2
6	Minnesota	15.5	31	Montana	26.4
7	Rhode Island	15.8	32	Missouri	27.2
8	New York	16.1	33	Kansas	27.6
9	Maine	16.5	34	Alaska	27.8
10	Maryland	17.8	35	Indiana	28.0
11	Wisconsin	18.0	36	Georgia	28.4
12	Virginia	18.4	37	Nevada	28.5
13	Washington	19.1	37	South Carolina	28.5
14	Pennsylvania	19.3	39	Arizona	29.9
15	Utah	19.4	40	Wyoming	30.1
16	Iowa	19.8	41	Alabama	32.0
17	Oregon	20.0	42	Tennessee	33.0
18	Colorado	20.3	43	Kentucky	35.3
19	Delaware	20.7	44	Louisiana	35.8
20	California	21.1	45	West Virginia	36.6
20	Michigan	21.1	46	New Mexico	37.8
22	Nebraska	22.2	46	Texas	37.8
23	Florida	22.5	48	Mississippi	38.0
24	Illinois	22.8	49	Oklahoma	38.5
25	Hawaii	23.1	50	Arkansas	39.5
26	Idaho	23.2			

Year	Missouri		US Average	
	Rate	Rank	Rate	
2014	27.2	32	24.2	
2013	30.0	33	26.5	
2012	32.2	30	29.4	

Source: cdc.gov

Health

Percent of Population without Health Insurance: 2014



Rank	State	Percent	Rank	State	Percent
1	Massachusetts	3.3%	27	New Jersey	10.9%
2	Vermont	5.0%	27	Virginia	10.9%
3	Hawaii	5.3%	29	Missouri	11.7%
4	Minnesota	5.9%		US Average	11.7%
5	Iowa	6.2%	30	Arkansas	11.8%
6	Connecticut	6.9%	31	Indiana	11.9%
7	Wisconsin	7.3%	32	Tennessee	12.0%
8	Rhode Island	7.4%	32	Wyoming	12.0%
9	Delaware	7.8%	34	Alabama	12.1%
10	Maryland	7.9%	35	California	12.4%
10	North Dakota	7.9%	36	Utah	12.5%
12	Ohio	8.4%	37	North Carolina	13.1%
13	Kentucky	8.5%	38	Arizona	13.6%
13	Michigan	8.5%	38	Idaho	13.6%
13	Pennsylvania	8.5%	38	South Carolina	13.6%
16	West Virginia	8.6%	41	Montana	14.2%
17	New York	8.7%	42	Mississippi	14.5%
18	New Hampshire	9.2%	42	New Mexico	14.5%
18	Washington	9.2%	44	Louisiana	14.8%
20	Illinois	9.7%	45	Nevada	15.2%
20	Nebraska	9.7%	46	Oklahoma	15.4%
20	Oregon	9.7%	47	Georgia	15.8%
23	South Dakota	9.8%	48	Florida	16.6%
24	Maine	10.1%	49	Alaska	17.2%
25	Kansas	10.2%	50	Texas	19.1%
26	Colorado	10.3%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2014	11.7%	29	11.7%	
2013	13.0%	23	14.5%	
2012	13.6%	25	14.8%	

Source: census.gov



Missouri Statewide Performance Indicators: A National Comparison

Crime

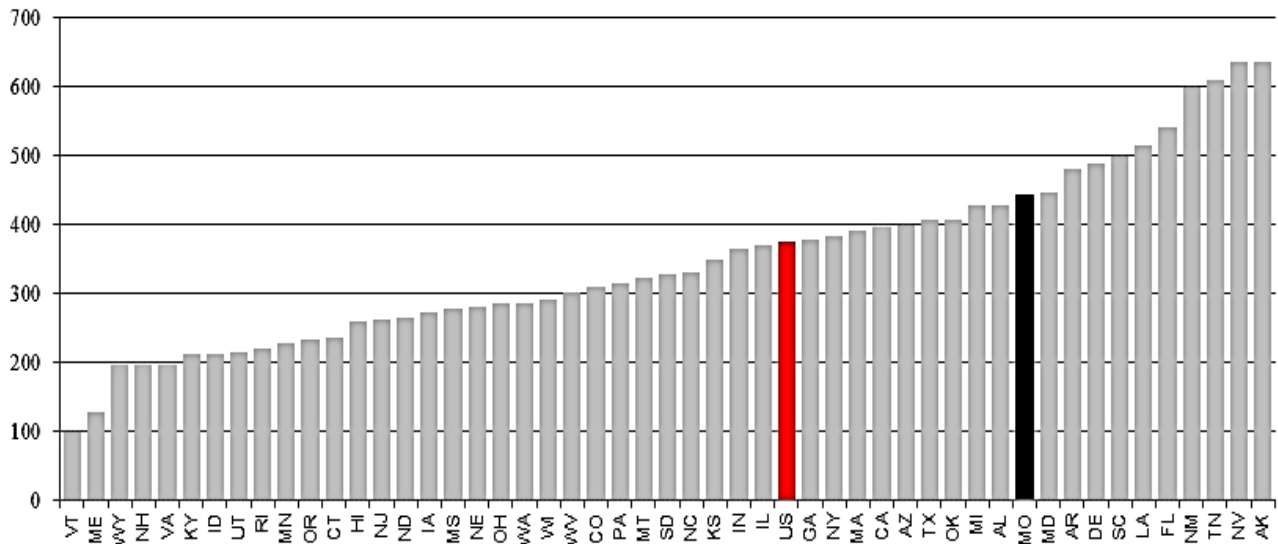
The following indicators were selected to measure the frequency of crime in the state:

Violent Crime Rate - The violent crime rate is composed of four offenses: murder and non-negligent manslaughter, forcible rape, robbery, and aggravated assault. Violent crimes are defined as those offenses involving force or threat of force. The rate is computed as the number of these violent crimes per 100,000 inhabitants. The data was provided by the Federal Bureau of Investigation. In 2014, Missouri ranked 40th with a violent crime rate higher than the national average.

Property Crime Rate - The property crime rate is composed of offenses such as burglary, larceny-theft, motor vehicle theft, and arson. There is no force or threat of force against the victims. The rate is computed as the number of these property crimes per 100,000 inhabitants. The data was provided by the Federal Bureau of Investigation. In 2014, Missouri ranked 35th with a property crime rate higher than the national average.

Crime

Violent Crime Rate, per 100,000 Inhabitants: 2014



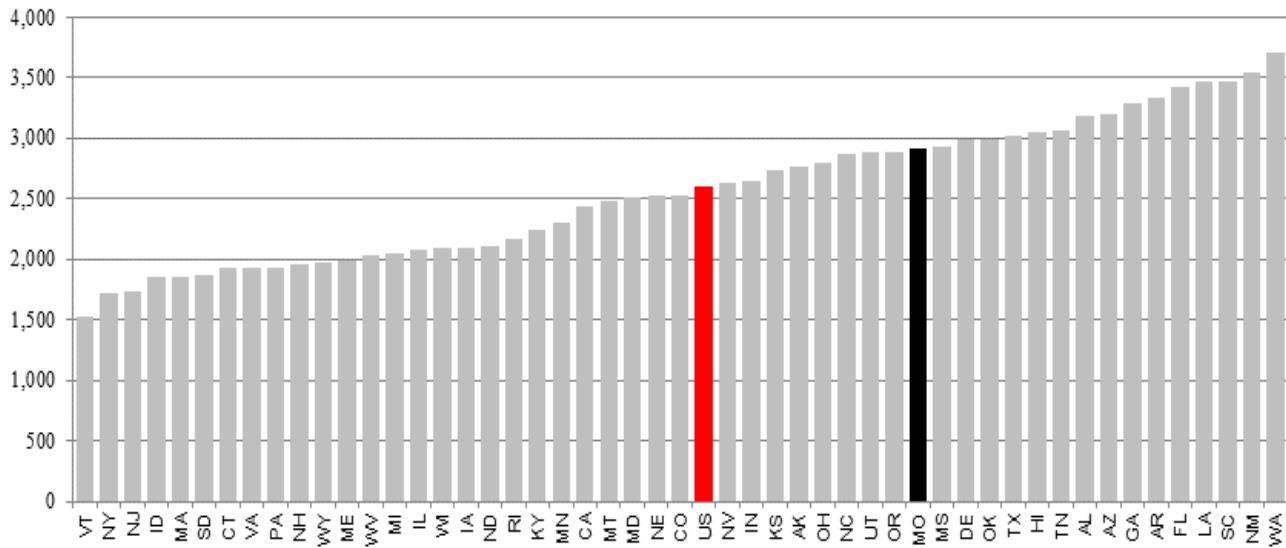
Rank	State	Rate	Rank	State	Rate
1	Vermont	99.3	27	North Carolina	329.5
2	Maine	127.8	28	Kansas	348.6
3	Wyoming	195.5	29	Indiana	365.3
4	New Hampshire	196.1	30	Illinois	370.0
5	Virginia	196.2		US Average	375.7
6	Kentucky	211.6	31	Georgia	377.3
7	Idaho	212.2	32	New York	381.8
8	Utah	215.6	33	Massachusetts	391.4
9	Rhode Island	219.2	34	California	396.1
10	Minnesota	229.1	35	Arizona	399.9
11	Oregon	232.3	36	Texas	405.9
12	Connecticut	236.9	37	Oklahoma	406.0
13	Hawaii	259.2	38	Michigan	427.3
14	New Jersey	261.2	39	Alabama	427.4
15	North Dakota	265.1	40	Missouri	442.9
16	Iowa	273.5	41	Maryland	446.1
17	Mississippi	278.5	42	Arkansas	480.1
18	Nebraska	280.4	43	Delaware	489.1
19	Ohio	284.9	44	South Carolina	497.7
20	Washington	285.2	45	Louisiana	514.7
21	Wisconsin	290.3	46	Florida	540.5
22	West Virginia	302.0	47	New Mexico	597.4
23	Colorado	309.1	48	Tennessee	608.4
24	Pennsylvania	314.1	49	Nevada	635.6
25	Montana	323.7	50	Alaska	635.8
26	South Dakota	326.5			

Year	Missouri		US Average	
	Rate	Rank	Rate	
2014	442.9	40	375.7	
2013	433.7	37	379.1	
2012	451.3	37	387.8	

Source: fbi.gov

Crime

Property Crime Rate, per 100,000 Inhabitants: 2014



Rank	State	Rate	Rank	State	Rate
1	Vermont	1,524.4		US Average	2,596.1
2	New York	1,718.2	27	Nevada	2,625.4
3	New Jersey	1,734.1	28	Indiana	2,649.4
4	Idaho	1,854.8	29	Kansas	2,735.2
5	Massachusetts	1,857.1	30	Alaska	2,760.0
6	South Dakota	1,863.9	31	Ohio	2,799.1
7	Connecticut	1,920.4	32	North Carolina	2,873.1
8	Virginia	1,930.3	33	Utah	2,878.5
9	Pennsylvania	1,931.7	34	Oregon	2,879.0
10	New Hampshire	1,962.7	35	Missouri	2,906.5
11	Wyoming	1,964.7	36	Mississippi	2,921.2
12	Maine	1,986.4	37	Delaware	2,982.0
13	West Virginia	2,034.7	38	Oklahoma	2,990.7
14	Michigan	2,043.9	39	Texas	3,019.4
15	Illinois	2,075.9	40	Hawaii	3,050.0
16	Wisconsin	2,088.3	41	Tennessee	3,060.6
17	Iowa	2,093.8	42	Alabama	3,177.6
18	North Dakota	2,110.3	43	Arizona	3,197.5
19	Rhode Island	2,173.6	44	Georgia	3,281.2
20	Kentucky	2,246.9	45	Arkansas	3,338.0
21	Minnesota	2,297.5	46	Florida	3,415.5
22	California	2,441.1	47	Louisiana	3,458.8
23	Montana	2,472.9	48	South Carolina	3,460.3
24	Maryland	2,507.5	49	New Mexico	3,542.3
25	Nebraska	2,523.5	50	Washington	3,706.1
26	Colorado	2,530.1			

Year	Missouri		US Average	
	Rate	Rank	Rate	
2014	2,906.5	35	2,596.1	
2013	3,137.4	36	2,730.7	
2012	3,316.7	36	2,868.0	

Source: fbi.gov



Missouri Statewide Performance Indicators: A National Comparison

Transportation

The following indicators were selected to measure transportation funding and the condition of Missouri's roads and bridges:

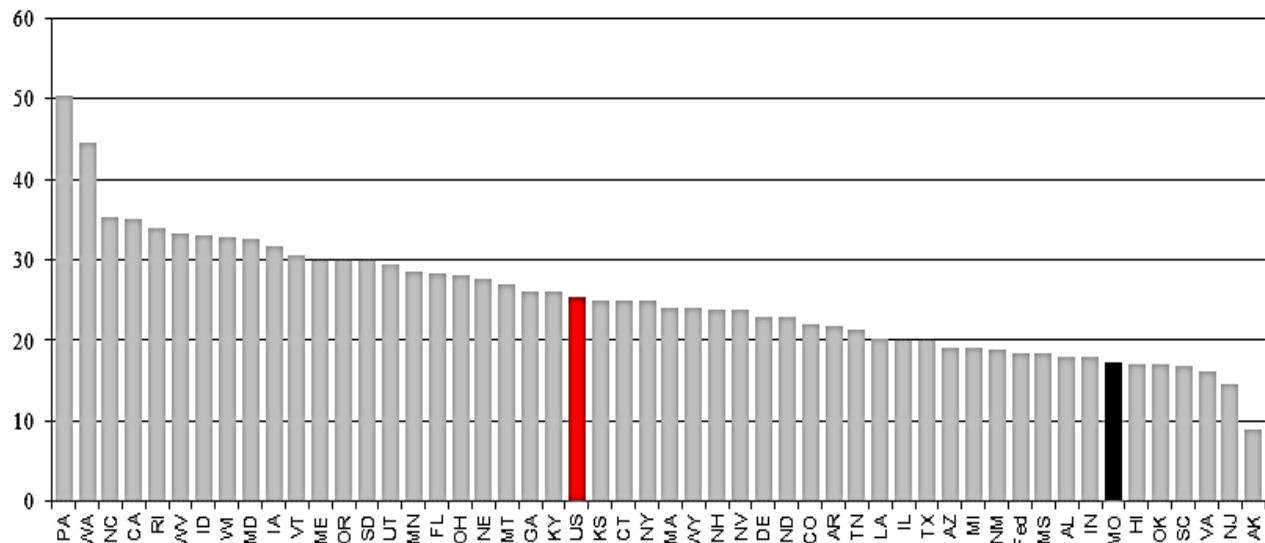
State Gas Tax - The amount of tax levied, in cents, by a state on the sale of one gallon of gasoline. The data was provided by the Federation of Tax Administrations and the Tax Policy Center. In 2016, Missouri ranked 44th with a gas tax below the national average.

Percent of Roads in Mediocre or Poor Condition - The percent of all roadways in a state that are in mediocre or poor condition as defined by the Bureau of Transportation Statistics. In 2013, Missouri ranked 27th, with a rate matching the national average.

Percent of Bridges that are Deficient or Functionally Obsolete - The percent of bridges that are structurally deficient or functionally obsolete as defined by the Federal Highway Administration. The Bureau of Transportation Statistics provided the data for this indicator. In 2014, Missouri ranked 33rd.

Transportation

State Gasoline Tax, in Cents: 2016



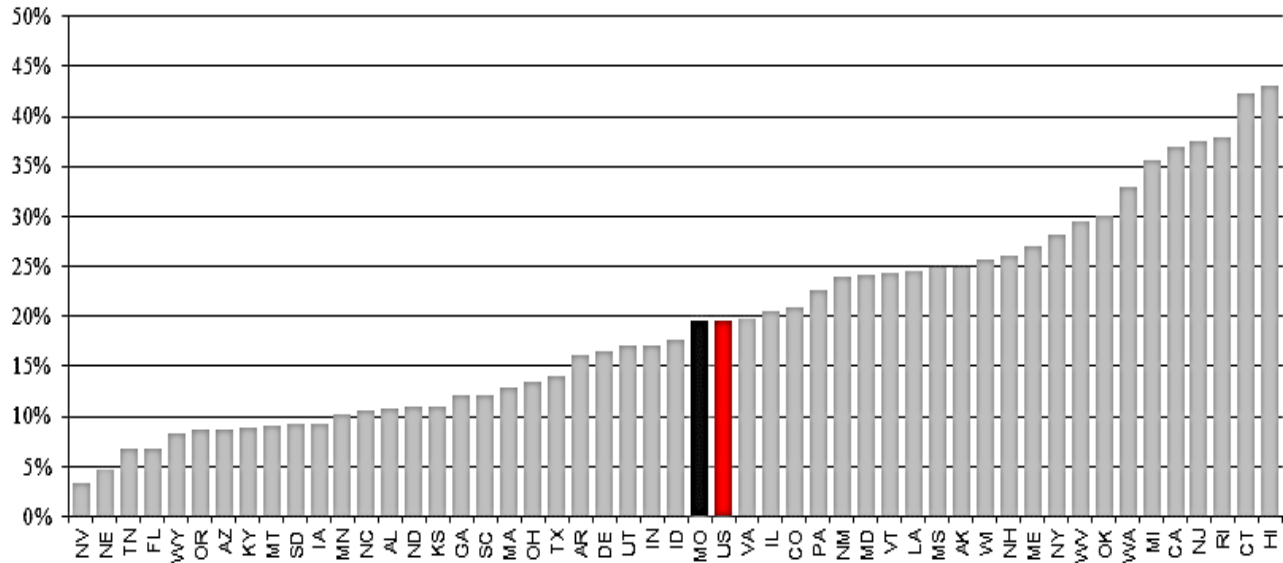
Rank	State	Tax	Rank	State	Tax
1	Pennsylvania	50.3	26	Massachusetts	24.0
2	Washington	44.5	26	Wyoming	24.0
3	North Carolina	35.3	28	New Hampshire	23.8
4	California	35.0	28	Nevada	23.8
5	Rhode Island	34.0	30	Delaware	23.0
6	West Virginia	33.2	30	North Dakota	23.0
7	Idaho	33.0	32	Colorado	22.0
8	Wisconsin	32.9	33	Arkansas	21.8
9	Maryland	32.6	34	Tennessee	21.4
10	Iowa	31.8	35	Louisiana	20.1
11	Vermont	30.5	35	Illinois	20.1
12	Maine	30.0	37	Texas	20.0
12	Oregon	30.0	38	Arizona	19.0
12	South Dakota	30.0	38	Michigan	19.0
15	Utah	29.4	40	New Mexico	18.9
16	Minnesota	28.6		Federal Tax	18.4
17	Florida	28.4	41	Mississippi	18.4
18	Ohio	28.0	42	Alabama	18.0
19	Nebraska	27.7	42	Indiana	18.0
20	Montana	27.0	44	Missouri	17.3
21	Georgia	26.0	45	Hawaii	17.0
21	Kentucky	26.0	45	Oklahoma	17.0
	US Average	25.3	47	South Carolina	16.8
23	Kansas	25.0	48	Virginia	16.2
23	Connecticut	25.0	49	New Jersey	14.5
23	New York	25.0	50	Alaska	09.0

Year	Missouri		US Average	
	Tax	Rank	Tax	
2016	17.3	44	25.3	
2015	17.3	44	24.7	
2014	17.3	43	24.2	

Source: taxadmin.org and taxpolicycenter.org

Transportation

Percentage of Roads in Mediocre or Poor Condition: 2013



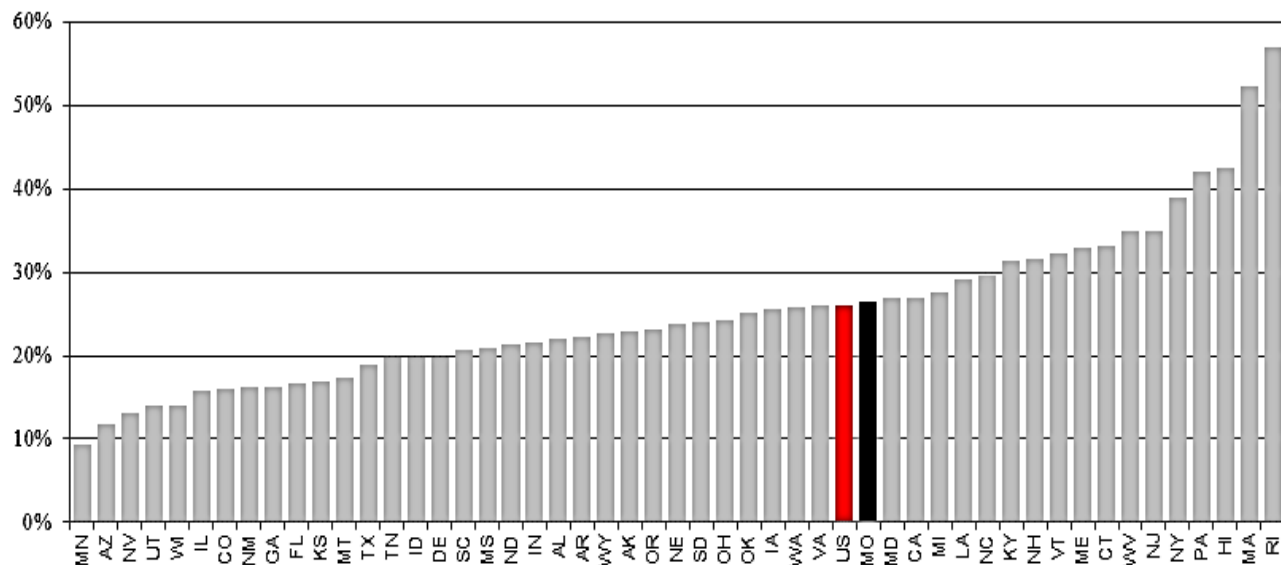
Rank	State	Percent	Rank	State	Percent
1	Nevada	3.4%	27	Missouri	19.6%
2	Nebraska	4.7%		US Average	19.6%
3	Tennessee	6.8%	28	Virginia	19.7%
3	Florida	6.8%	29	Illinois	20.6%
5	Wyoming	8.3%	30	Colorado	20.9%
6	Oregon	8.7%	31	Pennsylvania	22.6%
6	Arizona	8.7%	32	New Mexico	24.0%
8	Kentucky	8.9%	33	Maryland	24.2%
9	Montana	9.1%	34	Vermont	24.3%
10	South Dakota	9.2%	35	Louisiana	24.6%
11	Iowa	9.3%	36	Mississippi	24.9%
12	Minnesota	10.2%	36	Alaska	24.9%
13	North Carolina	10.6%	38	Wisconsin	25.6%
14	Alabama	10.7%	39	New Hampshire	26.1%
15	North Dakota	10.9%	40	Maine	27.0%
16	Kansas	11.0%	41	New York	28.2%
17	Georgia	12.0%	42	West Virginia	29.5%
18	South Carolina	12.1%	43	Oklahoma	30.1%
19	Massachusetts	12.8%	44	Washington	33.0%
20	Ohio	13.5%	45	Michigan	35.7%
21	Texas	14.0%	45	California	36.9%
22	Arkansas	16.1%	47	New Jersey	37.6%
23	Delaware	16.4%	48	Rhode Island	38.0%
24	Utah	17.1%	49	Connecticut	42.3%
25	Indiana	17.2%	50	Hawaii	43.1%
26	Idaho	17.7%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2013	19.6%	27	19.6%	
2012	23.2%	32	20.1%	
2011	6.2%	4	20.9%	

Source: rita.dot.gov/bts

Transportation

Percent of Bridges that are Deficient or Functionally Obsolete: 2014



Rank	State	Percent	Rank	State	Percent
1	Minnesota	9.3%	27	South Dakota	24.0%
2	Arizona	11.7%	28	Ohio	24.2%
3	Nevada	13.1%	29	Oklahoma	25.0%
4	Utah	13.9%	30	Iowa	25.5%
5	Wisconsin	14.0%	31	Washington	25.8%
6	Illinois	15.8%	32	Virginia	25.9%
7	Colorado	16.0%		US Average	26.0%
8	New Mexico	16.3%	33	Missouri	26.5%
8	Georgia	16.3%	34	Maryland	26.9%
10	Florida	16.7%	34	California	26.9%
11	Kansas	16.9%	36	Michigan	27.6%
12	Montana	17.4%	37	Louisiana	29.2%
13	Texas	18.9%	38	North Carolina	29.5%
14	Tennessee	19.7%	39	Kentucky	31.3%
15	Idaho	19.8%	40	New Hampshire	31.5%
15	Delaware	19.8%	41	Vermont	32.1%
17	South Carolina	20.6%	42	Maine	32.9%
18	Mississippi	20.9%	43	Connecticut	33.1%
19	North Dakota	21.3%	44	West Virginia	34.9%
20	Indiana	21.6%	44	New Jersey	34.9%
21	Alabama	22.0%	46	New York	38.9%
22	Arkansas	22.3%	47	Pennsylvania	42.1%
23	Wyoming	22.6%	48	Hawaii	42.5%
24	Alaska	23.0%	49	Massachusetts	52.2%
25	Oregon	23.2%	50	Rhode Island	57.0%
26	Nebraska	23.7%			

Year	Missouri		US Average	
	Percent	Rank	Percent	
2014	26.5%	33	26.0%	
2013	27.2%	33	26.5%	
2012	28.3%	33	27.0%	

Source: rita.dot.gov/bts



Office of Missouri State Auditor
Nicole Galloway, CPA

**Small Business Regulatory
Fairness Board**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Small Business Regulatory Fairness Board

Background

The Small Business Regulatory Fairness Board (SBRFB) was established in 2004 to help ensure Missouri small business owners have a voice in the development of rules and regulations by Missouri state departments and agencies. The Board is tasked with (1) providing state agencies with input regarding rules that adversely affect small businesses; (2) soliciting input and conducting hearings regarding any rules proposed by a state agency; and (3) issuing an evaluation report to the governor and the general assembly, making recommendations and evaluating regulatory fairness for Missouri's small businesses. State law provides that a nine-member board will consist of four members appointed by the governor; one member each appointed by the president pro tempore of the senate, the minority leader of the senate, the speaker of the house of representatives, and the minority leader of the house of representatives; and one member is the chair of the Minority Business Advocacy Commission. In its fiscal year 2015 evaluation report, Board members cited concerns and inefficiencies within the SBRFB.

Board Operations

The SBRFB is not functional and is not achieving its primary objective of monitoring regulations that impact small businesses. The SBRFB has not provided state agencies with input regarding proposed regulations affecting small businesses. The Board did not review all proposed regulations during the 2 years ended June 30, 2015, and the lack of a full Board has caused higher than normal workloads for each member, becoming a burden for volunteers. The board also lacks any formal systems to monitor which regulations have been reviewed and what action may be necessary.

The SBRFB did not take sufficient steps to solicit input from small businesses and received no comments from small businesses for a two-year period. Board members had been notified of proposed rule and regulation changes by an online subscription service, but the Department of Economic Development (DED) allowed the contract to expire without informing Board members. Small business owners had been allowed to access the service, and the lack of notification negatively impacted input. The Board also has not prepared regular evaluation reports.

The SBRFB has multiple extended vacancies. The Board had four vacancies as of March 2016, although members asked the General Assembly and the governor's office to fill vacancies. Members also reported the former chairperson did not communicate regularly and held limited meetings.

The state budget has not included appropriations for staffing. The fiscal year 2014 budget included an appropriation for one position, but funding was initially withheld by the governor and then released. DED and the SBRFB hired one employee in April 2014, who remained employed for that fiscal

year. Funding was approved the next year but was vetoed by the governor. The DED has not included funding for staffing in budget requests for recent years because officials indicated the work of the SBRFB is redundant with work performed by the Joint Committee on Administrative Rules.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Small Business Regulatory Fairness Board

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Mike Downing, Director
Department of Economic Development
and
Members of the Small Business Regulatory Fairness Board
Jefferson City, Missouri

We have audited certain operations of the Small Business Regulatory Fairness Board in fulfillment of our duties under Chapter 29, RSMo. The scope of the audit included, but was not limited to, the 2 years ended June 30, 2015. The objectives of our audit were to:

1. Evaluate the internal controls over significant management and financial functions.
2. Evaluate the compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) deficiencies resulting from certain management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Small Business Regulatory Fairness Board.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
Director of Audits: Robert Showers, CPA, CGAP
Audit Manager: Lori Melton, M.Acct., CPA
In-Charge Auditor: Joshua Shope, M.Acct.

Small Business Regulatory Fairness Board

Introduction

Background

The Small Business Regulatory Fairness Board (SBRFB) was established in 2004 by Section 536.305, RSMo, to help ensure Missouri small business owners have a voice in the development of rules and regulations by Missouri state departments and agencies.

Under the provisions of Section 536.310.1, RSMo, the SBRFB "shall: (1) provide state agencies with input regarding rules that adversely affect small businesses; (2) solicit input and conduct hearings from small business owners and state agencies regarding any rules proposed by a state agency; and (3) provide an evaluation report to the governor and the general assembly, including any recommendations and evaluations of state agencies regarding regulatory fairness for Missouri's small businesses."

Section 536.305, RSMo, requires the Department of Economic Development (DED) to "provide staff support for the board." In addition to the general staff support, pursuant to Section 536.310, RSMo, the SBRFB, subject to appropriations, may hire one and one-half full-time equivalent employees to perform the following duties:

1. Conduct internet website additions, corrections, and deletions;
2. Develop training programs for agencies;
3. Send regulatory alerts to interested small business subscribers;
4. Track small business comments regarding agencies and review and respond to the agency and small business accordingly;
5. Prepare for Board meetings and hearings, including outreach, travel, agendas, and minutes;
6. Prepare member maintenance expense reports and appointments;
7. Analyze small business impact statements. After such analysis, the employee shall review such statements, offer suggestions, and work with agencies to meet the statute requirements;
8. Analyze biannual report reviews;
9. Conduct agency correspondence and training;
10. Conduct small business outreach by speaking at chamber and association events; and
11. Review the Missouri Register and other sources to look for proposed rules that may affect small business.

Section 536.305, RSMo, states the SBRFB shall consist of nine voting members; four members appointed by the governor; one member each appointed by the president pro tempore of the senate, the minority leader of the senate, the speaker of the house of representatives, and the minority leader of the house of representatives; and one member is the chair of the Minority Business Advocacy Commission. Each member shall be current or former owners or officers of a small business, except for the four members appointed by the governor and the chair of the Minority Business Advocacy Commission. Each member shall serve a term of 3 years and may be



Small Business Regulatory Fairness Board Introduction

reappointed at the conclusion of the term to serve no more than 3 consecutive terms. The members serve on a volunteer basis.

On June 30, 2015, the SBRFB had 6 members and 3 vacancies, as follows:

Member	Appointed By	Term Expires
Nancy Zurbuchen, Chair (1)	Senate Majority Leader	June 14, 2015
Scott George, Vice-Chair (1)	House Majority Leader	September 15, 2013
Shelia Forrest (1)	Minority Business Advocacy Commission Chair	September 2, 2012
Representative Alan Green	House Minority Leader	February 24, 2018
William Jenks (1) (2)	Governor	April 30, 2014
Jim Seigfreid (1)	Governor	April 30, 2012
Vacant	Governor	
Vacant	Governor	
Vacant	Senate Minority Leader	

(1) Members whose terms have expired continue to serve until a new member is appointed.

(2) Resigned effective March 8, 2016.

Scope and Methodology

To gain an understanding of the SBRFB, we reviewed minutes of meetings, written policies and procedures, and other pertinent documents and interviewed various personnel of the Board, as well as DED personnel responsible for performing staff support and administrative functions for the Board.

We obtained an understanding of the internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We obtained an understanding of legal provisions that are significant with the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

Small Business Regulatory Fairness Board

Management Advisory Report

State Auditor's Findings

1. Board Operations

The Small Business Regulatory Fairness Board (SBRFB) is not functional and is not achieving its primary objective of monitoring regulations that impact small businesses in the state. This condition has been caused by multiple long-term Board vacancies, Board members who have not taken an active role in the functions of the Board, and a lack of funding for staffing.

1.1 Board not meeting objectives

During the 2 years ended June 30, 2015, the SBRFB has not achieved its statutory objectives of providing state agencies with input regarding proposed regulations, soliciting input from small businesses, and providing evaluation reports to the governor and general assembly.

Inadequate review of regulations

The SBRFB has not provided state agencies with input regarding proposed regulations affecting small businesses, as required by Section 536.310.1(1), RSMo. To achieve the objective set forth by law, the SBRFB must review the regulations and identify concerns. According to a Board member, the SBRFB did not review all proposed regulations affecting small businesses during the 2 years ended June 30, 2015; therefore, they did not provide sufficient input to state agencies regarding the proposed regulations. Board members also indicated the lack of a full Board caused higher than normal workloads for each member, further limiting their ability to review all necessary proposed regulations.

In addition, the SBRFB lacks any formal systems or processes to monitor which regulations have been reviewed, and what action may or may not be necessary as a result. According to discussions with Board members, each member is expected to review all the proposed regulations, but there is no process to ensure every regulation is reviewed. Documenting reviews performed and actions needed holds members accountable and would help ensure evaluation of all proposed regulations occurs. Without a system to monitor the reviews performed, the Board increases the risk of not identifying proposed changes that may adversely affect small businesses.

No solicitation of input from small business owners

The SBRFB did not take sufficient steps to solicit input from small businesses regarding proposed regulations, as required by Section 536.310.1(2), RSMo, and received no comments from small businesses during the 2 years ended June 30, 2015. The SBRFB uses an online subscription service to receive notification of proposed rule and regulation changes; and allows small business owners access to this service to review and provide feedback on the impact of proposed changes; however, the Department of Economic Development (DED) and the Board did not ensure this system was functioning throughout the audit period.

Due to a management decision by the DED, Board members and small business owners were not notified of proposed rule and regulation changes that may affect small businesses for over a year during the audit period. The SBRFB used an online subscription service, contracted by the DED, to be



Small Business Regulatory Fairness Board Management Advisory Report - State Auditor's Findings

provided notification regarding proposed changes. DED management allowed this contract to expire in June 2013; however, the vendor continued to provide services until April 2014. The DED did not have a new provider in place and did not inform the Board the service was expiring. When the Board notified DED officials about a lack of regulatory notifications, Board meeting minutes indicate DED officials informed Board members they could sign up with the Secretary of State's Office administrative rules notification system until implementation of a new contract. Board members stated that system was not specific to small business, and was therefore of limited use. The contract for the new regulatory alert system was effective August 2015 and provides regulatory alerts for proposed regulations affecting small businesses. The system had 201 subscribers as of March 2016.

Without a fully functioning alert system dedicated to small business needs, the SBRFB was not effective in soliciting input regarding regulation changes affecting small businesses.

Annual evaluation reports

The SBRFB has not prepared evaluation reports on a regular basis. While state law does not specify the frequency of the evaluation reports, the Board has historically prepared them on an annual basis. However, the Board issued the fiscal year 2013 evaluation report in May 2014, and failed to issue a fiscal year 2014 report. The fiscal year 2015 evaluation report, issued in January 2016, cited concerns and inefficiencies within the SBRFB. The report also noted concerns about the lack of adequate administrative support, missing Board documents and archives, DED personnel turnover, inept Board leadership, and ongoing Board vacancies.

1.2 Board membership

Issues with the SBRFB have contributed to the Board being ineffective in achieving its objectives. The Board has had multiple vacancies for an extended period and suffered from inactive and ineffective leadership.

Board vacancies

The SBRFB has had multiple vacancies for an extended period. Section 536.305, RSMo, requires the Board be composed of 9 members. As of June 30, 2015, the SBRFB had three vacancies, as shown on page 4. The positions became vacant in May 2012, February 2013, and March 2015. In addition, a fourth position became vacant in March 2016.

In addition to the vacancies, members have continued serving after their term expiration. As of June 30, 2015, 5 of the 6 appointed Board members had served between 1 and 39 months past the expiration date of their first term and had not been officially reappointed to second terms. According to Board members, the SBRFB has asked the General Assembly and the Governor's office to fill vacancies, but has not received a response.



Small Business Regulatory Fairness Board Management Advisory Report - State Auditor's Findings

To have a quorum and hold meetings, five Board members must be present. Board members indicated the lack of a full Board has made it difficult to schedule meetings because all or almost all members must be present to conduct business.

Ineffective leadership

The SBRFB's chairperson speaks on behalf of the Board, communicates with the DED, and calls meetings. The former chairperson did not communicate with other Board members or the DED from September 2014 until the end of her term in March 2015, according to Board members. The SBRFB held five meetings during the 2 years ended June 30, 2015, but none between June 2014 and March 2015. As a result of ineffective leadership and limited meetings, the Board's ability to meet its statutory requirements has been impacted.

1.3 Lack of staff support

The state budget has not included appropriations for staffing, which has limited the Board's ability to function. While the fiscal year 2014 budget included an appropriation for one position, the funding was initially withheld by the Governor and eventually released in December 2013. The DED and the Board hired an employee in April 2014. The employee provided services to the SBRFB for the remainder of fiscal year 2014. The funding for the position was again approved and included in the 2015 budget; however, it was line item vetoed by the Governor and no staff was provided for fiscal year 2015. For fiscal year 2016, the DED did not include funding for staffing in the department's budget request. The Board requested funding for fiscal year 2017, but the DED did not include the request in the budget submitted because DED officials indicated they believe the work of the SBRFB is redundant since review of proposed regulations is already being performed by the Joint Committee on Administrative Rules.

In the absence of an appropriation, the DED provides the required staff support to the Board pursuant to Section 536.305, RSMo, in the form of legal counsel and logistical and clerical support. However, the addition of Board staff would allow the SBRFB to take a more active role in monitoring regulations, communicating and coordinating with small businesses, addressing any concerns with state agencies, and meeting its overall objectives. Without an appropriation for additional staffing, Board members are required to perform these additional duties.

Conclusion

The SBRFB has been ineffective in monitoring regulations that impact small businesses, has not developed adequate processes and procedures to track regulations being reviewed, has been ineffective soliciting comments from small business owners regarding regulations that impact them, and has failed to submit annual evaluation reports. These issues are a result of the Board not being at full capacity, ineffective Board leadership, and a lack of funding for support staff. To achieve its stated objectives, the SBRFB needs the support of the DED, the General Assembly, and the Governor's office.



Small Business Regulatory Fairness Board
Management Advisory Report - State Auditor's Findings

Recommendations

The SBRFB:

- 1.1 Develop a process to document and track proposed regulations provided to the Board, increase efforts to solicit input from small business owners, and ensure evaluation reports are completed on a regular basis.
- 1.2 Continue to work with the General Assembly and the Governor's office to ensure all Board vacancies are filled.
- 1.3 Continue to work with the DED and the General Assembly to ensure the Board has funding for staff support to allow the Board to function effectively and comply with state law.

Auditee's Response

The SBRFB provided the following written response:

Since the inception of the SBRFB, the Board has worked directly with small business owners and state agencies to minimize the impact of regulations on small businesses. During the initial years, the SBRFB met with great success as agencies began to consistently obtain input from small business owners who would be affected by new rules as the regulations were being written. Also, agencies learned the importance of taking business size into account during inspections. Small business complaints plummeted. Recently, SBRFB members have noticed some back-sliding during rule promulgation as agencies are not always seeking out affected small businesses during rule promulgation. This raises concerns regarding support for small business growth and development in Missouri. Implementing all of the recommendations in this response will certainly help get all parties back on track.

Generally, the SBRFB agrees with the audit recommendations. Each of these issues -- lost internal processes, Board vacancies, and lack of funding -- was raised in our 2015 Annual Report. We are delighted that the State Auditor agreed that these were important issues.

Response to Audit Recommendations

1.1 Audit Recommendation:

- a) *"Develop a process to document and track proposed regulations provided to the Board"*
 - a. *During the audit exit conference, the auditors stated that "general staff support" meant nothing more than setting up meetings and conference calls and keeping minutes. Also, that DED did not have to keep any records other than meeting minutes and news releases. (Note. Subsequently, the Audit Manager defined "general staff support to mean "logistical, clerical, and legal support.")*



Small Business Regulatory Fairness Board
Management Advisory Report - State Auditor's Findings

- b. *The auditors stated that the individual Board members were responsible for all administrative duties and records retention associated with meeting statutory responsibilities.*
- c. *As small business owners volunteering their time, the SBRFB board members simply do not have the time available to undertake such an effort. This would hold true for all volunteer boards.*
- d. *In the early years of SBRFB, DED did many administrative functions (see background) including: website maintenance, sending out regulatory alerts, tracking small business comments, helping members with expense reports, conducting agency correspondence and training, and records retention.*
- e. *Additionally, DED's failure to follow Section 536.310.3, RSMo, when hiring support staff should be included in the audit report.*
- f. *During the exit conference with the state auditors and DED, SBRFB members pointed out that Section 536.310.3, RSMo "Subject to appropriations, by a majority vote of the board, the board may hire ... a full-time equivalent employee..." required the SBRFB to hire their support staff.*
- g. *Yet, DED hired a full-time person without SBRFB approval or formal involvement. Current SBRFB members recall being told, while DED legal counsel was present, that DED would never allow the board to hire their own staff.*
- h. *At the exit conference, both DED and the auditors stated that the prior Chair verbally indicated she was involved in the hiring. However, neither DED, nor the prior chair, were able to produce any written documentation to support that claim.*
- i. *According to the auditors, DED's failure to follow the statute was noted by the auditors in the pre-exit conference with DED.*
- j. *In a subsequent email, dated April 6, 2016, from the Audit Manager, "The finding did not rise to the level of a written finding, so it was not included in the audit report. According to auditing standards, auditors use professional judgement to determine the significance of an audit finding. Because a prior Board member told us she was involved in the hiring process, our judgement was that this was of low significance and did not rise to the level of a written finding."*
- k. *The Audit Manager stated that the auditors made a verbal recommendation that DED follow the statute during the pre-exit conference. And, that DED verbally responded they would comply with the statute. According to the Audit Manager, "The only documentation we have would be notes and audit workpapers, which are not subject to disclosure."*



Small Business Regulatory Fairness Board
Management Advisory Report - State Auditor's Findings

- l. The SBRFB recommends that DED's failure to meet this statutory requirement, or document any such attempts, should rise to the level of a written finding; and, should be included in the audit. This would be similar to the SBRFB's failure to meet statutory requirements being included in the audit report.*
 - m. The audit should formally recommend that DED work directly with the SBRFB to hire any future employees in support of the SBRFB.*
 - n. As noted in the report, DED allowed the previous regulatory alert system to expire leaving the SBRFB members with no way to effectively track regulation changes.*
 - o. Recently, DED implemented a new regulatory alert system that is much better than the old one. Thus, the Board members are receiving notices of proposed regulations.*
 - p. Additionally, DED lost or misplaced all prior processes for tracking Board action on reviewing regulations.*
 - q. The SBRFB will work with DED to re-create the internal process for tracking the board's activity in reviewing and final disposition of the rules.*
 - r. However, fulfilling the audit finding that SBRFB members, all of whom are busy small business owners, review ALL proposed regulations is simply impossible without adequate Board administration support and with so many vacant Board seats.*
 - s. The SBRFB urges the Legislature and/or Governor to better define "general staff support" to enable all boards and commissions to function without undo impact on their non-paid members.*
- b) "Increase efforts to solicit input from small business owners"*
 - a. The SBRFB members have, in a limited manner, solicited input from small businesses on proposed regulations. These contacts were not well documented.*
 - b. This outreach can be better documented with the tracking processes described above.*
 - c. Lack of administrative support and board vacancies will limit outreach.*
- c) "Ensure evaluation reports are completed on a regular basis."*
 - a. The Board agrees that the agency evaluation reports are of paramount importance.*
 - b. The internal processes outlined above are essential to preparing the report.*

1.2 Audit Recommendation: "Continue to work with the General Assembly and the Governor's office to ensure all Board vacancies are filled."



Small Business Regulatory Fairness Board
Management Advisory Report - State Auditor's Findings

- a) *The SBRFB agrees that the long term, systemic vacancies on the Board severely impact the Board's ability to meet its statutory responsibilities.*
- b) *The SBRFB members have contacted the Governor and Legislature numerous times before regarding these vacancies. Most of these contacts were not documented in writing; but, will be in the future.*
- c) *The SBRFB hereby urges both the Governor and the Legislative leaders to fill vacant Board seats.*

1.3 Audit Recommendation: "Continue to work with DED and the General Assembly to ensure the Board has funding for staff support to allow the Board to function effectively and be in compliance with state law."

- a) *The SBRFB was very disappointed to learn that DED did not request funding because DED "believe(s) the work of the SBRFB is redundant ... (to) the Joint Committee on Administrative Rules." In addition to reviewing regulations, the SBRFB efforts include: ensuring impacted small businesses are included in rule promulgation, reviewing enforcement actions against small businesses, taking comments from small businesses on the impact of rules, and evaluating state agencies regarding their implementation of the Small Business Regulatory Fairness Act.*
- b) *DED failed to request funding because the Governor vetoed it in the prior year. SBRFB members recall this statement. DED appears not to.*
- c) *DED's failure to request funding because they believe SBRFB is redundant to the Joint Committee on Administrative Rules. This demonstrates DED's lack of understanding of the function and benefits of the SBRFB to Missouri small businesses.*
- d) *The SBRFB agrees that without adequate staff support, the Board is unable to meet its statutory responsibilities supporting small businesses.*
- e) *DED is one of the agencies evaluated by SBRFB in its annual evaluation report.*
- f) *DED in the past has lobbied against the SBRFB's use of grades in the evaluation report.*
- g) *DED's repeated assertions that all records were lost and unrecoverable, demonstrates a lack of seriousness in support of small business regulatory fairness. Only when the state auditors asked for the records, did DED make sufficient efforts to recover the hard copy files. Many of the electronic files are still missing.*
- h) *Some other states house their small business regulatory fairness boards, with adequate funding, under the Secretary of State or the Lieutenant Governor. Neither of these entities are part of the annual agency evaluation by the SBRFB. Therefore, moving the SBRFB to either place would eliminate the conflict of interest.*
- i) *The SBRFB urges the Legislature and Governor work together to determine if the SBRFB should even be housed in DED.*



Small Business Regulatory Fairness Board
Management Advisory Report - State Auditor's Findings

- j) *The SBRFB hereby urges DED to include adequate funding for staff support in all future budget requests, the Legislature to retain this funding in the budget bills, and the Governor to make small businesses a priority by leaving the funding intact.*

The DED provided the following written response:

The Missouri Department of Economic Development agrees with and accepts the findings and recommendations in the audit. The purposes of the SBRFB are redundant with duties performed by the Joint Committee on Administrative Rules and by the Secretary of State. The professional boards and associations representing small business provide access to information and notification of new rules. The duplicative work is evidenced by the average of only one case per year handled by the SBRFB.

Auditor's Comment

In responding to finding 1.1 the SBRFB stated a particular issue should have been made a written finding. As noted in the report letter, we conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States. According to GAS, para. 6.04, auditors should consider significance when developing the report and related findings and should use professional judgment when evaluating the significance of matters within the context of the audit objectives. We exercised professional judgment in determining the issue in question was not significant within the context of the audit objectives and made a verbal recommendation to the DED to consider in the future.

The SBRFB's response to finding 1.3 states the Board is responsible for "reviewing enforcement actions against small businesses." The objectives of the Board, as defined at Section 536.310.1, RSMo, do not include this responsibility.



Office of Missouri State Auditor
Nicole Galloway, CPA

Fox C-6 School District

Report No. 2016-031

May 2016

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Fox C-6 School District

Background	The Fox C-6 School District was selected for an audit in part due to a written audit request by the Fox C-6 Board of Education (Board), in addition to phone calls received outlining concerns, and news articles detailing questionable practices by former Superintendent Dr. Dianne Critchlow.
Superintendent and Administrator Salaries	For the 2012-2013 and 2013-2014 school years, the Board did not approve the salary schedules that pertained to the superintendent position and were used to calculate and support the amount of compensation paid to Dr. Critchlow. The amount paid to Dr. Critchlow for the 2012-2013 school year exceeded the contract amount. Dr. Critchlow was issued 4 contracts for the 2013-2014 school year, with only the first being discussed and approved by the Board; however, her compensation agreed to subsequent contracts. Salary schedules were not always followed and changes to base amounts were not always approved, resulting in unsupported additional compensation to administrators. The district had no documentation to explain reasons for applying some mid-year salary increases retroactively to the beginning of the school year. The Board did not approve the internal promotion of a teacher to principal of the Bridges Program (later retitled to Director of At-Risk Services), and the district could not provide documentation for using a different pay schedule than was historically used for this program's administrator, resulting in substantially higher compensation. This individual was also compensated based on having a specialist degree before obtaining that degree. Another former administrator received promotions and position changes that were not approved by the Board. He also received longevity pay without the required length of administrator service and incorrectly received back pay.
Credit Card Purchases and Reimbursements	We reviewed the district's credit card purchases for the 2011-2012, 2012-2013, and 2013-2014 school years. For the 3 credit cards assigned to Dr. Critchlow and her administrative assistant, the audit identified concerns with 36 percent (\$96,743 of \$268,935) of expenditures reviewed. We also reviewed the July 2013 credit cards usage for 3 assistant superintendents and identified concerns with 77 percent (\$3,394 of \$4,383) of the expenditures reviewed. Most of the credit card purchases with problems were in violation of the district's credit card policy. District personnel did not perform adequate reviews of Dr. Critchlow's monthly credit card statements and supporting documents. Dr. Critchlow frequently used the Professional Development Committee (PDC) budget line items to expense credit card purchases including meals, travel, and equipment totaling approximately \$20,000. District personnel used credit cards to purchase items that exceeded district policy, and numerous purchases did not seem reasonable and/or to provide a benefit to the school district. The district was unable to provide supporting documentation for several gift and gift card purchases. We identified numerous purchases totaling \$8,877, without adequate supporting documentation, and in some cases no documentation beyond the credit card statement. In addition, questionable and improper reimbursements to the Superintendent and her husband totaled \$4,214. The Superintendent approved all her husband's reimbursements, which is inappropriate due to their relationship.

District Financing	The district did not obtain independent financial advice for all general obligation (GO) bond sales, and sold GO bonds using a negotiated sale rather than a competitive bid process. In addition, the Board did not competitively select an underwriter for any of the bonds or lease participation certificates issued. The district did not seek reimbursement of underwriter and bond issuance costs, totaling approximately \$113,000, eligible for reimbursement from a state program. The district may incur approximately \$5.6 million additional interest costs due to selling bonds at a premium.
Scholarships	The school district did not have policies or procedures regarding scholarship handling and record-keeping requirements. In addition, procedures and records pertaining to some scholarships were not adequate. We identified problems with the scholarships administered by the Superintendent's office.
Accounting Controls and Procedures	The district does not have a listing of approved petty cash funds, the funds are not maintained on an imprest basis, and there is no review or approval by district personnel of petty cash expenses. We noted similar problems with the district's change funds. Accounting controls for athletic event fees and concession sales need improvement. Receipting and depositing procedures over collections are not sufficient, transmittal procedures do not provide accountability, and the district has not adequately segregated receiving, recording, and depositing duties. Electronic facsimile signatures are not adequately safeguarded to prevent misuse and are not used in compliance with district policy.
District Policies and Procedures	The Board did not adequately monitor for conflicts of interest or self-dealings pertaining to former Superintendent Critchlow and her family members. The district does not have adequate procedures in place for monitoring cafeteria accounts collection activity and does not have policies or procedures to resolve balances remaining on accounts of students that have graduated or left the district. The district employs student workers, but does not have a formal policy that establishes rates of pay. Some student workers, including Dr. Critchlow's sons, were paid at rates higher than those informally set by the district, and numerous student worker timesheets were incomplete and had no supervisor approval. The district does not always maintain students' signed Internet, email and computer use agreement forms and some schools are not using the most current form. The district does not adequately approve any deviations from the approved fee schedule for renting district facilities. Dr. Critchlow's contract provided her with a district-owned vehicle to be used in carrying out her duties as Superintendent. However, there was no log or other accounting of the use of this vehicle, and the district did not report any value of the usage of this vehicle as compensation.
Disbursements and Contracts	The district does not always follow its bidding policy when obtaining goods or services. The district has not established policies for the selection of vendors providing professional services.
Attendance	The district's attendance system does not limit the time period during which changes can be made and there is no review by district officials to ensure changes made to current school year attendance records are appropriate.

Capital Assets and Fuel Usage	Records and policies to account for district property are not adequate. District policies document procedures for property located at the school buildings; however, other district buildings and departments, facilities, vehicles, and equipment are excluded. As a result, some district assets are not accounted for and capital asset records are not complete. Also, the district does not reconcile fuel logs to fuel billings.
Audit	The district does not have an internal audit function. In addition, the Board has not requested proposals for services for the district's annual independent financial audit and continues to rehire the former employer of the district's Director of Accounting.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Fox C-6 School District

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Board of Education
Fox C-6 School District

The State Auditor conducted an audit of the Fox C-6 School District under the authority granted in Section 29.205, RSMo. We have audited certain operations of the district in fulfillment of our duties. The district engaged Daniel Jones and Associates, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2014. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2014. The objectives of our audit were to:

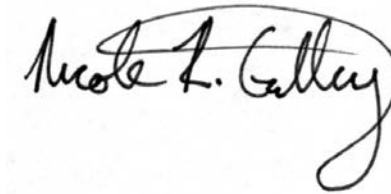
1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the district.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Tessa Rusatsi, CPA
	Margie Freeman, CPA

Fox C-6 School District

Management Advisory Report

Introduction

Background

The State Auditor's Office (SAO), in conjunction with a written audit request by the Fox C-6 Board of Education (Board), selected the Fox C-6 School District for an audit under Section 29.205, RSMo. The district was selected in part due to phone calls received outlining concerns about the district and news articles detailing questionable practices by the district under former Superintendent Dr. Dianne Critchlow.

Among our many findings in this report, several pertain to Dr. Critchlow, including her contract and credit card usage (see MAR finding numbers 1 and 2), and awarding of scholarships (see MAR finding number 4). Although Dr. Critchlow is no longer with the district, she is referred to by name or as Superintendent throughout this report.

The following events are significant to our review of the school district.

In June 2014, the Board suspended 4 administrators with pay - Superintendent Dr. Critchlow, Director of At-Risk Services Jamie Critchlow, Assistant Superintendent of Elementary Education Dan Baker, and Federal Programs Coordinator Angela Burns Baker - while the district investigated allegations of libel for comments posted on a website. Jamie Critchlow terminated his employment with the district in June 2014, while Dan Baker and Angela Burns Baker are still employed by the district.

In July 2014, the school district and Dr. Critchlow entered into a settlement and release agreement, allowing her to remain on paid leave until her retirement on October 31, 2014. In Superintendent Dr. Critchlow's absence, the Board appointed Tim Crutchley as Interim Superintendent. He served as Interim Superintendent until Dr. James Wipke became Superintendent on July 1, 2015.

During audit fieldwork, the SAO was notified by Dr. Critchlow's attorney that the former Superintendent was agreeable to meeting with SAO auditors to answer questions pertaining to the audit of the district. Various information and documents were provided to Dr. Critchlow's attorney to facilitate a meeting. The purpose of the meeting was to discuss questions regarding various transactions and decisions for which Dr. Critchlow was responsible, obtain any additional documents or explanations not available from the district, and ensure the accuracy of our understanding. A meeting date was set, but postponed at the request of Dr. Critchlow's attorney. SAO efforts to set a subsequent meeting date failed and Dr. Critchlow's attorney indicated there would be no in person meeting.

Also during audit fieldwork, the SAO made efforts to contact the former Assistant Superintendent of Business and Financial Services (equivalent to current Chief Financial Officer position), Mark McCutchen, to discuss various contract and payroll issues. He left the district at the end of the



Fox C-6 School District Management Advisory Report - State Auditor's Findings

2013-2014 school year. Obtaining input from Mr. McCutchen was important due to the many significant contract and payroll issues addressed in the audit findings and that occurred during his time as a district administrator. However, he declined to discuss our questions or meet with our auditors.

Fox C-6 School District

Management Advisory Report

State Auditor's Findings

1. Superintendent and Administrator Salaries

We noted numerous problems with the controls, procedures and approval of Superintendent Dr. Critchlow's and other administrators' contracts. Problems included salary schedules not being approved by the Board and a lack of documentation to support changes in salaries.

1.1 Superintendent contracts and compensation

We reviewed Dr. Critchlow's contracts and compensation for the 2011-2012 through 2013-2014 school years. We noted concerns with compensation not agreeing to contract amounts; unapproved pay schedules; and the existence of multiple contracts for the 2013-2014 school year, with only one being both formally approved by the Board and retained with Board approved documents.

For the 2012-2013 and 2013-2014 school years, the Board did not approve the salary schedules that pertained to the superintendent position and were used to calculate and support the amount of compensation paid to Dr. Critchlow. We also noted other concerns with contracts and compensation for these 2 school years.

The Board approved Dr. Critchlow's 2012-2013 contract for \$234,368; however, she was paid \$12,456 more than the contract. No documentation or evidence of Board approval was maintained by the district to support the additional pay. Also, the amount paid did not match the formula set forth in her contract.

Dr. Critchlow was issued 4 contracts for the 2013-2014 school year. During our review of Board minutes, we could not find documentation of the 3 contracts following the initial contract being discussed and approved by the Board. Following is a discussion of the various contracts and Dr. Critchlow's compensation:

- The initial contract was approved by the Board during the January 15, 2013, closed meeting and provided for a \$253,694 salary plus a \$5,000 annuity contribution. This contract was on file with the Board Secretary.
- A second contract also with a January 15, 2013, issue date provided for a \$256,131 salary plus a \$5,000 annuity contribution. This contract was signed and dated October 15, 2013, which does not match the issue date.
- The third contract issued on January 21, 2014, provided for a \$260,598 salary plus a \$6,000 annuity contribution. This represents a \$7,904 increase in compensation from the initial contract. Dr. Critchlow manually signed this contract on January 29, 2014, but it contained electronic signatures for the board president and secretary of the board. Starting in the 2013-2014 school year, electronic signatures can be



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added automatically when a new contract is printed (see MAR finding number 5.5 for more details). The compensation terms in the fourth contract were the same as the third contract, but there were new signatures and Dr. Critchlow signed the contract on February 4, 2014, a date different from the third contract document. The third and fourth contract documents appear to be pro forma contract forms and the location where the person's title/position is to be inserted was not completed for either, with one still indicating "Position" and the other one indicating "First."

The district's net pay history report shows Dr. Critchlow was paid based on the second contract salary amount (\$256,131) for the first 11 pay periods. Starting with the 12th pay period and through the remainder of the school year, she was paid an amount based on the third and fourth contract salary amount (\$260,598), plus an amount needed to retroactively apply the salary increase to the entire school year. Thus, she was paid the full \$260,598 although the contracts supporting this amount were not signed until January and February 2014. Other than the contract documents, the district did not have documentation or evidence of Board approval to support the salary increase to \$260,598 or for applying the mid-year increase retroactively to the full school year. Also, the salary provided for in the third and fourth contracts was used for Dr. Critchlow's settlement agreement with the district.

Comparison to other districts Given the substantial salary paid to Dr. Critchlow, it was imperative for the district to exercise great care when making decisions regarding her compensation and to properly approve and document her employment contracts and any subsequent changes. A comparison to other school districts in Missouri with enrollment exceeding 10,000 students illustrates her salary and rank among these schools. The following table presents information obtained from the Department of Elementary and Secondary Education (DESE) for the 2013-2014 school year (rank and pay per each enrolled student added by the SAO).



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School District	Rank of Enrollment	Enrollment	Rank of Contract Amount	Contract Amount ¹	Rank of Pay Per Each Enrolled Student	Pay Per Each Enrolled Student
St. Louis City	1	27,017	9	\$ 225,004	19	\$ 8.33
Springfield	2	25,587	20	160,926	20	6.29
Rockwood	3	21,879	Tie-3	250,000	15	11.43
Francis Howell	4	19,971	14	203,049	17	10.17
North Kansas City 74	5	19,726	Tie-6	242,655	13	12.30
Ft. Zumwalt R-II	6	18,654	18	179,080	18	9.60
Hazelwood	7	18,401	Tie-6	242,655	12	12.54
Columbia	8	17,872	15	198,992	16	11.13
Lee's Summit R-VII	9	17,844	1	282,831	8	15.85
Parkway C-2	10	17,466	8	232,000	11	13.28
Kansas City 33	11	15,214	Tie-3	250,000	7	16.23
Independence	12	14,847	12	206,000	10	13.87
Wentzville	13	14,547	19	170,000	14	11.69
Blue Springs	14	14,383	Tie-3	250,000	4	17.38
St. Joseph	15	11,879	11	206,280	5	17.37
Liberty 53	16	11,822	17	180,000	9	15.23
Fox C-6	17	11,681	2	260,598	1	22.31
Ferguson Florissant	18	11,591	10	224,844	3	18.70
Mehlville R-IX	19	11,059	16	190,592	6	17.23
Park Hill	20	10,631	13	203,725	2	19.16

Source: Department of Elementary and Secondary Education (DESE)

¹ DESE reports amounts obtained from the various school districts, which may or may not include amounts paid over the base amount of contracts, such as annuity contributions and car allowances.

To ensure district funds are spent wisely, the Board should periodically evaluate the compensation paid to the superintendent, and ensure the amount paid is based on properly approved pay schedules and is consistent with a Board approved contract.

1.2 Administrator salaries

The Fox C-6 School District's use of its salary schedules system resulted in a confusing and inconsistently applied system of compensation. In addition, the district has not consistently followed the approved salary schedule for administrators.

Annually, the Chief Financial Officer (CFO) compiles salary schedules for administrators and provides the schedules to the Board for approval in the spring prior to the upcoming school year. The Human Resources (HR) Department then creates employment contracts based on the approved salary schedules. The payroll department enters the salary amounts into the payroll system from information compiled by the CFO. Salary expenditures totaled approximately \$78 million for the 2013-2014 school year.



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Employee contracted salaries are based on the employee's placement on the applicable salary schedule. Employee placement and advancement on district salary schedules is generally through step increases for service years, but may also include increases due to educational degrees or certification levels achieved.

Our review began with 11 administrators' personnel files and related payroll expenditures for the 2012-2013 and 2013-2014 school years. After identifying concerns we expanded the review to include overall administrators salaries.

Salary schedules

Salary schedules were not always followed and changes to base amounts for the administrator salary schedules were not always approved.

- On June 26, 2012, the Board approved a new administrator salary schedule for the 2012-2013 school year, which used a base amount and job position and years of experience to calculate each position's salary. However, our review determined administrator longevity compensation was also added to salaries for the 2012-2013 school year although the new schedule no longer allowed for this compensation as did the administrator salary schedule approved by the Board in May 2009 and in effect for school years 2009-2010 through 2011-2012. The Assistant Superintendent of Human Resources stated it was assumed that administrator longevity was included in the schedule. The additional administrator longevity paid per administrator ranged from \$914 to \$3,724. The total additional compensation for the 47 administrators for the 2012-2013 school year ranged from \$42,958 to \$175,028.
- In January 2013, the former Assistant Superintendent of Business and Financial Services increased the administrator salary base from \$136,060 to \$137,400 for the 2012-2013 school year in an email message to the payroll department with no other approvals evident. The base increase represented teacher longevity, which administrators were not eligible for in prior years according to prior salary schedules. As a result, total administrator salaries were increased by approximately \$58,000 for the 2012-2013 school year. The mid-year base increase was not approved by the Board and new contracts for administrators could not be located reflecting the mid-year change to salaries. Even though the salary increases occurred mid-year, the salary changes were applied retroactively to the beginning of the school year.
- For the 2013-2014 school year, the administrator salary base was increased from \$137,400 to \$138,750. Administrator salaries also included additional compensation for administrator longevity. There was no documentation to support the increase to the base from the previously approved amount of \$136,060 or the administrator longevity



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paid. As a result, administrators received additional compensation from the base increase for teacher longevity ranging from \$1,453 to \$4,788. Administrators also received additional compensation for administrator longevity from \$914 to \$3,724. None of the increases were approved by the Board. The total additional compensation for the district's 49 administrators ranged from \$115,983 to \$417,088 resulting from the base increase and administrator longevity for the 2013-2014 school year.

- In December 2013, administrators were transferred to a new salary schedule after the Board voted on February 19, 2013, to approve administrator contracts annually instead of every 2 to 3 years. However, there was no documentation showing how the new schedule was phased in. In addition, no cost study was conducted and presented to the Board to document the added cost of implementing the new administrator schedules to the district. Even though the salary increases occurred mid-year, the salary changes were applied retroactively to the beginning of the school year. Prior to implementing the new salary schedule, administrators were granted an additional year of service credit resulting in additional compensation when determining the salary to be paid. The combination of the additional year of service credit and administrator longevity resulted in the administrators receiving a 2-step increase from the pay step on which the administrators should have been placed. This change resulted in a pay increase ranging from \$2,000 to \$6,000 for each administrator. The total additional compensation for the 49 administrators in 2013-2014 ranged from \$98,000 to \$294,000.

The cumulative additional compensation for the issues noted during the 2013-2014 school year ranged from \$213,983 to \$711,088.

Salary schedules clearly defining all compensation to be paid should be approved by the Board to ensure salaries are calculated consistently.

1.3 Employee placement

The district's placement or advancement of some administrators on applicable district salary schedules is not always adequately documented or approved by the Board. These administrators also received the additional compensation discussed in section 1.2.

The following are examples of concerns noted in our review of administrator contracts and salary schedules:

- The former Bridges Alternative School Assistant Principal was paid \$82,922 for the 2013-2014 school year and \$66,750 for the 2012-2013 school year. He did not have a documented specialist degree; however, his salary was calculated using the district's salary schedule requiring a specialist degree. This employee was given the specialist degree pay for



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the 2013-2014 school year as instructed by the Superintendent in an email message to the payroll supervisor. The employee's personnel file did not contain documentation to support he had obtained the 30 graduate credit hours required to obtain a specialist degree and the district could not provide any additional support. The placement provided the Bridges Assistant Principal an additional \$687 compensation for the 2013-2014 school year. In addition, as part of his total pay in 2012-2013, he received a \$10,000 unapproved stipend to assume the duties of Bridges Assistant Principal along with his teaching duties for the 2012-2013 school year. In December 2013, he was officially promoted to Bridges Assistant Principal. The district had no documentation to support the stipend.

- A Fox High School Assistant Principal was paid \$116,859 for the 2013-2014 school year. He had 24 documented graduate credit hours, but was paid a salary according to the district's salary schedule with a specialist degree requiring 30 graduate credit hours. The employee's personnel file did not contain documentation indicating the required number of graduate credit hours had been completed for the specialist degree and the district could not provide any additional support. The placement provided the Fox High School Assistant Principal an additional \$687 compensation for the 2013-2014 school year.
- Another Fox High School Assistant Principal was paid \$126,425 for the 2013-2014 school year. He had no documented graduate hours, but received a salary according to the district's salary schedule requiring a specialist degree plus 15 credit hours for the 2013-2014 school year as instructed by the Superintendent to the payroll supervisor in a December 2013 email message. The employee's personnel file did not contain documentation to support that he had obtained the 30 graduate credit hours required for a specialist degree or the additional 15 credits to place him in the specialist plus 15 credit hours column on the salary schedule and the district could not provide any additional support. The placement provided the Fox High School Assistant Principal an additional \$4,407 compensation for the 2013-2014 school year. Even though the salary increase was completed mid-year, the salary changes were applied retroactively to the beginning of the school year.

There was no indication in Board meeting minutes or personnel files that the Board reviewed and approved any of these placements. Formal written employment contracts and contract amendments that clearly define all contractual terms are necessary to ensure all parties are aware of their duties and responsibilities, and to prevent misunderstandings. The district corrected the compensation for these 3 individuals effective July 1, 2014.



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Retroactive salary increases

Sections 1.1, 1.2, and 1.3 discuss retroactive salary increases. The district had no documentation to explain reasons for applying mid-year salary increases retroactively to the beginning of the school year or to show additional work was performed. The additional compensation for services previously rendered may represent a violation of Article III, Section 39, of the Missouri Constitution, which states the general assembly may not authorize any county or municipal authority to grant any extra compensation, fee, or allowance to a public officer, agent, servant, or contractor after the service has been rendered or a contract has been entered into and performed in whole or in part. The district no longer allows employees to receive mid-year salary increases or applies salary increases retroactively.

1.4 Bridges program

The Bridges Alternative School (Bridges) program is administered by the Director of At-Risk Services and an assistant principal and has approximately 30 to 50 students. This program was developed to assist students in maintaining and improving their academic progress and other life skills. Prior to the 2012-2013 school year the program had been administered by one person.

Internal promotion

The Board did not approve the internal promotion of a teacher, Jamie Critchlow, to principal of the Bridges program during the 2009-2010 school year or the creation of the assistant principal position during the 2013-2014 school year, and a cost-benefit analysis was not completed to evaluate the cost of the new position. The principal position was retitled to Director of At-Risk Services for the 2010-2011 school year.

Pay schedule

The district does not have documentation explaining why a different pay schedule was used for the Director of At-Risk Services starting in 2011. Historically, the Elementary/Middle School assistant principal salary schedule had been used in setting the salary of the Bridges program principal. However, the Elementary/Middle School principal salary schedule was used for the 2011-2012 school year through the 2013-2014 school year. As a result, the director earned an additional \$79,716 in total during those 3 school years.

The Director of At-Risk Services was also paid \$20 per hour totaling \$4,300 to be a weight room supervisor during the 2011-2012 school year. District Regulation 4515.3 does not include weight room supervisor on the list of extra duty hourly pay. In addition, the director did not obtain a specialist degree until May 2014; however, his salary for the 2013-2014 school year was determined based on him having a specialist plus 30 credit hours degree. The director received an additional \$4,735 under the specialist degree classification for the 2013-2014 school year.



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A cost-benefit analysis should be performed to evaluate the cost to the district when a new position is created and approved by the Board. In addition, the Board should ensure the district maintains adequate documentation supporting any decisions that deviate from the district's salary schedules, and the Board should approve such decisions.

1.5 Former Assistant Superintendent

During the 2009-2010 school year, the CFO at the time, took a leave of absence and the then-Bridges Principal, Mark McCutchen, took over as the temporary CFO. Upon the CFO's return to work in November 2009, the temporary CFO was moved to a newly created position of Assistant Superintendent for Data Management, for which the district could provide no formal job description. This position ceased to exist after Mr. McCutchen became the Assistant Superintendent of Business and Financial Services during the 2013-2014 school year. These promotions and position changes were not approved by the Board. We noted various concerns with Mr. McCutchen's compensation as discussed in the following paragraphs.

Administrator longevity pay

Prior to removing administrator longevity from the salary schedules effective for the 2012-2013 school year, administrators were required to have worked 8 years in an administrator position to qualify for the additional compensation. Even though the Assistant Superintendent of Business and Financial Services had worked as an administrator for only 7 years by the end of the 2013-2014 school year, he received \$8,989 in salary based on administrator longevity for the 2009-2010 through 2013-2014 school years.

Back pay

In May 2014, certain district officials determined the Assistant Superintendent of Business and Financial Services' annual compensation had been incorrectly calculated at the time of his promotion on July 1, 2011, because he was placed on step 1 instead of step 3 when moved to the Assistant Superintendent column on the salary schedule. Back pay totaling \$18,193 for the period July 1, 2011, to June 30, 2014, was paid out in June 2014. Our review of contracts, salary schedules, and payroll records determined that he had been correctly placed on step 1 as of July 1, 2011.

The Board should ensure the district maintains adequate documentation supporting any decisions that deviate from the district's salary schedules, and the Board should approve promotion and position changes.

Recommendations

The Board of Education:

- 1.1 Ensure the Superintendent's pay agrees to established contracts and pay schedule. In addition, the Board should document its review and approval of all contract changes.



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- 1.2 Ensure pay schedules are complete and accurate, and all contracts contain the type and amount of compensation to be paid and are approved by the Board to ensure transparency.
- 1.3 Discontinue the practice of combining compensation features from prior pay schedules or modifying existing pay schedules without Board approval.
- 1.4 Perform a cost-benefit analysis and ensure there is Board approval and adequate documentation to support new positions.
- 1.5 Ensure adequate documentation is maintained for any decisions that deviate from established pay schedules. The Board should also ensure that contract adjustments for prior years are warranted, justified and properly approved.

Auditee's Response

- 1.1 *The Fox C-6 Board of Education and District Administration agree with this recommendation. Implementation of new procedures to accurately determine the rate of compensation for the Superintendent and properly adopt a Superintendent contract were in place by December 2014. These new procedures comply with the recommendation.*

The audit findings are critical of the \$260,598 salary paid to Dianne Critchlow and other administrators during 2013-2014, including that Critchlow's salary was substantial when compared to Superintendents of other districts and was not properly documented. By comparison, the 2015-2016 salary for Dr. Jim Wipke of \$175,000 is competitive for a district the size and complexity of Fox C-6 Schools and is properly documented.

The District believes that most of the irregularities regarding former Superintendent Dianne Critchlow's contracts identified by the audit findings resulted primarily from acts of Dianne Critchlow and acts or omissions of persons holding the post of Chief Financial Officer, namely James Berblinger, or his successor Mark McCutchen. Fox C-6 Board of Education expects staff to properly implement all Board decisions. The Board of Education disapproves both the acts or omissions that (1) increased Critchlow's compensation without Board action and (2) compensated Dianne Critchlow greater than provided within her approved contracts. Critchlow, Berblinger and McCutchen are no longer employed by Fox C-6 Schools.

The Board of Education intends to consider the following actions: (1) seek recovery of the unauthorized compensation paid to Dianne Critchlow, (2) notify the Public School Retirement System (PSRS)



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about the unauthorized compensation to determine whether correction or forfeiture of pension benefits being paid to Dianne Critchlow is warranted, and (3) submit the record of unauthorized compensation to the Jefferson County Prosecuting Attorney's Office to determine whether prosecution is warranted.

The District is committed to maintaining full compliance with the recommendation.

- 1.2 *The Fox C-6 Board of Education and District Administration agree with this recommendation. The District has completed implementation of procedures that comply with the recommendation. Specifically, all pay schedules are accurately prepared, Board approved, and carefully installed into the payroll and human resources systems to eliminate any discrepancies.*

The audit found that the salary schedules were not followed and Board approval of salary increases was not obtained with respect to certain administrators. Again, as suggested in the audit, the District believes that this primarily resulted from the acts or omissions of former administrators Dianne Critchlow and Mark McCutchen, which, in turn, resulted in improper salary expenditures and waste of District money.

The District is committed to maintaining full compliance with the recommendation. Likewise, the District is committed to full disclosure of all compensation paid to employees. This commitment to transparency is exhibited by the use of BoardDocs, the online e-Governance solution that provides easy access for citizens to monitor Board of Education agenda, along with a library of District policies and important reports. Fox C-6 began using BoardDocs in April 2015.

- 1.3 *The Fox C-6 Board of Education and District Administration agree with the recommendation. The District has completed implementation of procedures that comply with the recommendation. Specifically, all pay schedules are accurately prepared, Board approved, and carefully installed into the payroll and human resources systems to eliminate any discrepancies.*

The audit found that the salary schedules were not followed and Board approval of salary increases was not obtained with respect to certain administrators. As suggested in the audit findings, the District believes that this primarily resulted from the acts or omissions of former administrators Dianne Critchlow and Mark McCutchen, which, in turn, resulted in waste of District money.



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The District is committed to maintaining full compliance with the recommendation.

- 1.4 *Under Superintendent Dr. Jim Wipke's leadership, and in collaboration with Dr. Kelly Bracht, Assistant Superintendent for Human Resources, the District has fully implemented rigorous hiring procedures that seek to identify applicants that are both highly qualified for the open position and a good fit for the team the successful applicant will join. These new hiring procedures went into effect during spring 2015. All job opportunities are openly and widely advertised across multiple media for the purpose of attracting sufficiently large enough groups of applicants to ensure the District's goal of finding highly qualified personnel. In this quest for top talent, internal and external candidates compete for available positions with equal opportunity.*

As teaching jobs continue to be scarce, and as Fox C-6 budgets continue to be strained, the school board has an even greater responsibility to make sure the most highly qualified people land the few jobs available. School board members and the Superintendent doing the hiring have a fiduciary responsibility to the community to hire the best talent for the money. Under these circumstances, it is completely justified for the District to maintain its new hiring practices and strong anti-nepotism policy, which exceeds the provisions of the Missouri Constitution.

The audit criticizes the District for failing to follow proper protocols in the hiring process and in sections 1.3 and 1.4 focuses on unauthorized and unwarranted job promotions by the former superintendent, Dianne Critchlow, of her husband Jamie Critchlow. These job promotions and rates of compensation were without Board approval according to the audit. The reported findings indicate \$88,751 in excess compensation paid to Jamie Critchlow. After fringe costs are added, the cost to the District rises to approximately \$102,900. The Board of Education disapproves of both (1) Dianne Critchlow's apparent disregard of Board procedures and authority; and (2) enrichment of Dianne Critchlow's husband with District financial resources. Jamie Critchlow and Dianne Critchlow are no longer employed by Fox C-6 Schools.

The Board of Education intends to consider the following actions: (1) seek recovery of the unauthorized compensation paid to Jamie Critchlow, (2) notify the PSRS about the unauthorized compensation to determine whether correction of pension benefits relating to Jamie Critchlow is warranted, and (3) submit the record of unauthorized compensation to the Jefferson County Prosecuting Attorney's Office to determine whether prosecution is warranted.



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The portion of the recommendation suggesting a cost study be performed to support the creation of a new position has greater complexity than merely cost. The District is required to comply with various laws regarding staffing. For example, Missouri's Department of Elementary and Secondary Education has established criteria for class sizes at various grade levels. If additional students enroll at a particular school building, the District may be required to add either a teacher or an aide due to the additional enrollment regardless of the cost factor. The District agrees the creation of new positions should be justified and documented. As part of the justification process, cost factors will be considered, but may not be the controlling factor in the decision to create a new position.

Subject to these clarifications, the District is committed to full compliance with the concepts presented in the recommendation. The new hiring practices and balanced budget practices demonstrate the District Administration's strong commitment to excellence.

- 1.5 *Current District practice is to establish appropriate pay schedules and disallow any deviation from established pay schedules. Similarly, careful implementation of pay schedules eliminates situations that could require contract adjustments. Nevertheless, the point is well received that any deviation from Board established rates of compensation should be Board approved. Likewise, the correction of legitimate errors should be clearly documented and properly approved.*

The audit criticizes the District for failing to follow proper procedures and focuses on unwarranted job promotions for Mark McCutchen, Jamie Critchlow, and others. These job promotions were not approved by the Board and were often accompanied by unauthorized increased rates of compensation. The reported findings indicate \$49,162 in excess compensation paid to Mark McCutchen. After fringe costs are added, the cost to the District rises to approximately \$57,000. The Board of Education disapproves of: (1) Dianne Critchlow's apparent disregard for Board authority and (2) acts that compensated Mark McCutchen greater than provided within his contracts. Critchlow and McCutchen are no longer employed by Fox C-6 Schools.

The Board of Education intends to consider the following actions: (1) seek recovery of the unauthorized compensation paid to Mark McCutchen, (2) notify the PSRS about the unauthorized compensation to determine whether correction or forfeiture of pension benefits relating to Mark McCutchen is warranted, and (3) submit the record of unauthorized compensation to the Jefferson



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County Prosecuting Attorney's Office to determine whether prosecution is warranted.

Subject to the clarifications presented, the District is committed to full compliance with the recommendation.

2. Credit Card Purchases and Reimbursements

The district had 32 credit cards in use during the 2013-2014 school year with transactions totaling approximately \$2.4 million. Credit card transactions for the 2011-2012 and 2012-2013 school years totaled approximately \$996,000 and \$1.9 million, respectively.

The district credit card policy, adopted in May 1997 and in effect for the period of our review (District Policy number 3181), was as follows: "School district credit cards will only be issued to employees upon the approval of the Board of Education. Use of the credit card will be limited to the purchase of instructional materials, items related to the improvement of instruction, or materials related to capital improvements or supplies."

District officials performed a review of Dr. Critchlow's credit card purchases from January 2014 through June 2014 and various reimbursements from 2013 and 2014. They identified numerous purchases and reimbursements likely personal in nature. The current CFO sent several letters and email messages to Dr. Critchlow requesting explanations and documentation for numerous purchases, repayment for improper charges and reimbursements, and the return of various items purchased deemed to be personal in nature. According to district records, some items were returned, but no repayments for any improper charges or reimbursements identified by the district have been made.

We reviewed the district's credit card purchases for the 2011-2012, 2012-2013, and 2013-2014 school years. Based on concerns we were aware of at the beginning of audit fieldwork and our scan of all credit card billings for the 2013-2014 school year, we focused our audit efforts primarily on 3 district credit cards (cards assigned to Dr. Critchlow and her administrative assistant). We reviewed every charge made to these cards for the 3 year period, which totaled \$268,935. We also reviewed the July 2013 credit card billings for 3 assistant superintendents, which totaled \$4,383. In addition, we reviewed reimbursements to Dr. Critchlow and the Director of At-Risk Services for the 2011-2012, 2012-2013, and 2013-2014 school years, which totaled \$4,477. We identified the following concerns while reviewing these credit card and reimbursement transactions.

2.1 Credit cards

For the 3 credit cards assigned to Dr. Critchlow and her administrative assistant, we identified concerns with 36 percent (\$96,743 of \$268,935) of the credit card expenditures reviewed. In addition, for the assistant superintendents' credit cards, we identified concerns with 77 percent (\$3,394 of \$4,383) of the expenditures reviewed.



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For purposes of this finding discussion and Appendix B, transactions that we had concerns with are classified into various categories - questionable, no receipt/invoice or insufficient receipt/invoice, gift cards and gifts, and various categories where charges exceeded district policy. Disbursements were considered problematic if there was no supporting documentation or there was insufficient documentation or explanation regarding how the disbursement pertained to district business or complied with district policy.

While Dr. Critchlow was Superintendent, monthly credit card statements were reviewed and reconciled to corresponding payment receipt slips by the accounts payable department, except for the Superintendent's statement. The Accounts Payable Supervisor indicated Dr. Critchlow would review and reconcile her own credit card statement. During our review of credit card statements, we observed that statements for Dr. Critchlow's Visa credit card frequently did not have notations indicating a review or reconciliation was performed. For all other credit card statements reviewed, we observed notations and initials indicating the statements had been reviewed and reconciled to receipt slips.

Credit card purchases made by Dr. Critchlow and her administrative assistant on their district Visa credit cards totaled \$44,415 and \$8,729, respectively, for the time period June 1, 2011, through June 30, 2014. Purchases made on the administrative assistant's Discover credit card totaled \$215,791 from July 1, 2011, through June 30, 2014. Dr. Critchlow sometimes used her administrative assistant's Discover credit card, and was likely responsible for \$27,237 of the problematic transactions on this card based on purchase confirmation email information and notations made on the receipt slips.

We also noted Dr. Critchlow used the Professional Development Committee (PDC) budget line item to expense numerous credit card purchases. Such expenditures included meal purchases, travel, and equipment totaling approximately \$20,000. We had concerns with many of these transactions and many of these transactions exceeded district policy with regard to hotel and airline charges and meal gratuities. Frequently the notation PDC was the only explanation provided with no other information such as location, purpose, participants, etc.

Exceeded district policy

District personnel used credit cards to purchase numerous items with costs exceeding district Regulation 4410.2. The PDC expense reimbursement policy states professional development meal reimbursements are not to exceed \$12 per day for local sessions, \$40 per day if traveling beyond the local area, hotel costs are not to exceed \$110 per night, airfare is not to exceed \$250 per person, and the gratuity is not to exceed 15 percent of meal costs. The following table shows amounts spent in excess of district policy



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using the 3 credit cards assigned to the Superintendent and her administrative assistant.

Credit Card		Hotel	Airline	Gratuity	In Town Meals	Total
Superintendent's Visa	\$	1,310	711	550	173	2,744
Administrative Assistant's Discover		13,172	6,534	111	0	19,817
Administrative Assistant's Visa		0	0	49	26	75
Total in Excess of Policy	\$	14,482	7,245	710	199	22,636

See Appendix B for a complete listing of these transactions.

In addition, we noted hotel costs charged on one Assistant Superintendent's credit card for the June 2013 Marzano Conference for Educators in Orlando, Florida, exceeded district policy by \$803. The charges were for rooms at the Hard Rock Hotel for three nights at \$305 per night and one night at \$328. Also, district records indicate the state Department of Elementary and Secondary Education performed a review of various Title II professional development expenditures and the district was required to repay \$10,499 for transactions exceeding district travel policy related to the Marzano Conference.

Questionable purchases

We identified numerous purchases that did not seem reasonable and/or provide a benefit to the school district. Many of these transactions were supported by a receipt or invoice that agreed to the amount charged, but there was no additional information to demonstrate the purpose of the purchase and how it related to district business or complied with district policy. We identified \$56,702 in questionable purchases. See Appendix B for a complete listing of these transactions.

The following are examples of questionable charges on Dr. Critchlow's Visa card.

- Two high school football players (one of which was the Superintendent's son) were selected to participate in a student NFL camp in Indianapolis, Indiana, in July 2012. Questionable and potentially improper purchases were incurred for this trip. Costs included 3 hotels rooms totaling \$1,005. According to notations made by Dr. Critchlow on the credit card statement, one room was for her and another for a football coach. There was no vendor invoice from the hotel to support the room charges and provide details regarding occupants, and there was no information regarding who occupied the third room. In addition, meals totaling \$412, fuel totaling \$122, and parking fees totaling \$170 were charged to the credit card for this trip. Explanations provided to the SAO indicate the football coach and his wife and Dr. Critchlow and her husband attended and escorted the students. Documentation does not clearly show, but it would be improper for additional costs associated with the coach's spouse to be



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paid by the district and paying for 4 adults to chaperone 2 students may be unreasonable. In addition, Dr. Critchlow denoted on the credit card statements for these purchases to be charged to PDC, which does not seem appropriate or consistent with the purpose of the trip, or in compliance with district policy.

- Improper fuel and meals were charged to PDC totaling \$94 for a trip to Warrensburg, Missouri, on July 20, 2013. According to Dr. Critchlow's Microsoft Outlook calendar information (provided to the SAO by the district in late January 2016), the trip was to watch her son participate in an all-star camp.
- A \$240 improper donation was made on September 25, 2013, to the Missouri School Administration Political Action Committee (PAC). The PAC returned the donation to the district in August 2014 after discovering the donation had been made with public monies.
- A questionable purchase of \$423 for replacement glass for a smartphone was made on October 14, 2013. There was no documentation to support that this phone was used for district business purposes.
- Dr. Critchlow purchased 4 cameras totaling \$1,249 and an iPhone for \$350. These items cannot be located by district officials and there is inadequate documentation to determine whether these items were for district or personal use.

The following are examples of questionable charges on the administrative assistant's Discover card.

- On December 2, 2013, Dr. Critchlow purchased 2 cameras totaling \$139, which district personnel stated could not be located. There was no documentation to support that these cameras were for district business purposes.
- Dr. Critchlow used the credit card to pay for a \$104 red light camera ticket received from Ellisville, Missouri on July 22, 2013. Information provided to the SAO indicates Dr. Critchlow reimbursed the district with a \$104 cash payment, and created a receipt for herself at the time of the payment, which included comments about reimbursing the district for this expenditure and a photocopy of the cash. However, after a review of deposit records and interviews with district personnel, we could not determine whether the cash was deposited into a district account.
- On February 19, 2014, someone purchased a Samsung Note 3 cell phone and case for \$857. The items could not be located, and there was



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no documentation regarding which employee they were purchased for to support the business purposes of the purchase.

- Two cameras, 2 phones, 19 tablets, 5 electronic readers, a SD card, and flash drive totaling \$6,841 were purchased without explanation as to purpose or for whom the items were purchased. We identified other similar technology related purchases.
- Logging equipment was purchased from Amazon.com in March and April of 2014 and charged to the Bridges program. These purchases consisted of 2 rugged ridge stainless steel D-shackles for \$101; timber tug skidding tongs; a Smittybilt recovery strap; a tow chain for \$177 (this purchase also included 4 phone cases and a screen protector); and a tow chain for \$71. These purchases were shipped to Dr. Critchlow's home address rather than to the district. At the time of these purchases, Missouri Secretary of State online business filing records show a company, Cash Landing LLC, was formed on April 25, 2014, with Dr. Critchlow's husband as the registered agent, Dr. Critchlow and her husband as organizers, and a business address matching their personal address. The purposes of the company, as stated in the articles of organization, are land and timber improvement/sales, education consultation services, and invention development and sales.

While Dr. Critchlow's husband indicated these purchases were for a Bridges service learning project, the district did not have documentation to support this claim. After requests (in multiple letters and email messages dated in September 2014) from the district to make repayment for various improper purchases and to return unaccounted for assets, Dr. Critchlow returned the following items related to logging: tow chain, recovery strap, and heavy duty skidding tongs.

Similarly, district records indicate the return of various other items to the district by Dr. Critchlow. Examples include, cell phone cases, cameras and accessories, iPad cases, phone charging cords, a printer, a wireless stereo head phone system, and a laptop. Appendix B lists numerous purchases for these type items, but purchase documentation frequently provided no details regarding the purpose of the purchases, whether the item was purchased for use by a district employee, or whether accessories were purchased for use with district equipment.

We also noted various questionable charges on the administrative assistant's Visa card. For example, on August 8, 2012, a smartphone and accessories were purchased for \$905. The district cannot account for the items purchased. Also, documentation was not sufficient to show whether the items purchased were for a district purpose or complied with district policy.



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Our review of 3 Assistant Superintendents' credit card usage for the month of June 2013 identified 20 questionable transactions totaling \$2,591 during the Marzano conference in Orlando. These transactions included a week's car rental for \$927, 2 dinners costing \$603, and a golf outing costing \$336.54 on June 19, 2013, all charged on a card assigned to an Assistant Superintendent who was not present on the trip. According to district personnel the Superintendent had asked to use this employee's card, but the district did not have documentation to support this statement. After follow up on the golf invoice by the accounts payable department, the Superintendent reimbursed the district \$336.54 on August 8, 2013.

Gifts and gift cards

The district was unable to provide supporting documentation for several gifts and gift cards purchased using district credit cards. Also, a listing was not prepared and maintained documenting the recipients of the gifts or gift cards. We identified \$8,873 in gifts and gift card purchases. See Appendix B for a complete listing of these transactions.

Dr. Critchlow used her district credit card to purchase 94 gift cards totaling \$3,450. There was no explanation for the purchase of 36 of these gift cards. The other 58 gift cards totaling \$2,434 stated "needy family" on the receipt; however, there was no evidence these gift cards ever reached needy families. Several of the gift cards marked "needy family" were for businesses that did not seem reasonable. For example, she purchased 4 entertainment cards, 2 iTunes music cards, 2 Macy's Department Store cards, 1 Red Lobster card, and 13 Buffalo Wild Wings cards. The district does not have any formal assistance programs or policy on gift cards.

The administrative assistant's Discover credit card was also used for various gift and gift card purchases totaling \$5,423. Examples of the purchases include:

- Fifteen gift cards totaling \$495, with receipts for 3 of the 15 marked with "needy family" by the Superintendent.
- Fourteen "edible gift arrangements" purchased totaling \$1,213. There was no supporting documentation for 2 of these purchases totaling \$161 and these purchases are listed in the no receipt/invoice or insufficient receipt/invoice section of Appendix B. The edible gift arrangements were given to 5 district employees (\$460), 2 to the Superintendent (\$171), 2 to Board members (\$148), 1 to the president of the Cooperating School District (\$70), 1 to the bond underwriter (\$120), and the recipients for 3 (\$244) were not documented.
- Various other transactions totaling \$3,876 including the cost for employee recognition banquets, retirement gifts, and gifts for years of service. Included in the questionable items discussed earlier is a transaction for a retirement dinner at a local restaurant that cost \$293.



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According to Dr. Critchlow's administrative assistant, this purchase was made by Dr. Critchlow. The district does not have a policy addressing district-provided food and recognition/retirement banquets and gifts.

Lacking documentation

We identified numerous purchases totaling \$8,877, without adequate supporting documentation, and in some cases no documentation beyond the credit card statement. In many instances, only a credit card charge slip was submitted rather than a detailed invoice or receipt slip. These transactions totaled \$4,810, \$3,502, and \$565 for Dr. Critchlow's Visa card, administrative assistant's Discover card, and administrative assistant's Visa card, respectively. These purchases included food, fuel, gifts, and payments to airlines among other items.

Conclusion

Most of the credit card transactions we address in this finding and present in Appendix B violated the district's credit card policy.

Credit card purchases are inherently more risky than other purchases because credit card purchases are or can be made prior to proper approval. That risk and the potential for fraud and misuse increases even more when internal controls and proper procedures are lacking. Credit cards provide a good alternative purchase method, but there should be a strong, clear policy that is enforced and prohibits use for inappropriate or non-district purchases. Detailed supporting documentation improves the district's ability to review charges and provides better documentation of the items purchased to ensure charges are reasonable and in accordance with established policies. In addition, public funds should be spent only on items necessary and beneficial to the district. District residents have placed a fiduciary trust in their public officials to spend district revenues in a prudent and necessary manner.

2.2 Reimbursements

We reviewed the travel and expense reimbursements made to Dr. Critchlow and her husband, who was the Director of At-Risk Services from July 1, 2011, through June 30, 2014. Questionable and improper reimbursements to Dr. Critchlow and her husband totaled \$4,214.

Reimbursements to Dr. Critchlow included \$385 in March and April 2013 for mileage costs even though the fuel for the trips was purchased with a district credit card. Three of the 4 fuel receipts indicate her district vehicle was used. She also received reimbursement of \$794 for meals that were not supported with any documentation. In addition, she was reimbursed \$200 for 7 gift cards charged to the Seckman High School Football Club. There was no documentation explaining what the gift cards were for or who they were given to. Dr. Critchlow was also reimbursed \$61 in meal gratuities that exceeded district policy. For example, a \$120 gratuity paid on a \$600 meal charged to PDC with no additional explanation at a local bar and grill exceeded district policy by \$30.



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Dr. Critchlow approved all of her husband's expense reimbursements. This is inappropriate due to their relationship and diminishes the control provided by supervisory approvals. Dr. Critchlow approved 3 reimbursements for her husband totaling \$1,306 during 2012. The reimbursements included a \$500 charitable donation to ALS Kimmswick made on August 6, 2012, \$305 for 16 gift cards given to the football coaches that ran a summer camp, and a \$501 reimbursement for mileage. In addition, Dr. Critchlow completed 1 of the 3 reimbursements forms for payment. The Board has since adopted improved and more restrictive conflict of interest and nepotism policies.

To ensure prudent and proper use of district funds, requests for reimbursements should only be approved when supporting documentation is submitted with the requests. Only by receiving detailed supporting documentation for reimbursements can the district ensure the amounts claimed for reimbursement are legitimate and accurate, and comply with district reimbursement and disbursement policies.

Recommendations

The Board of Education:

- 2.1 Establish controls and procedures for review and approval of all credit card purchases made by district employees, to evaluate employee compliance with district travel policy and ensure purchases are supported by appropriate documentation. Also, the Board should ensure the district stops the practice of buying gifts or gift cards with district monies and all purchases are a prudent and necessary use of taxpayer monies.
- 2.2 Ensure adequately detailed supporting documentation is submitted with claims for reimbursement and reviewed for legitimacy and accuracy. In addition, ensure the district continues to comply with its conflict of interest and nepotism policies.

Auditee's Response

- 2.1 *The Fox C-6 Board of Education and District Administration agree with the recommendation relating to credit cards. Credit card controls, along with procedures for review and approval of all credit card purchases have been established and in full force and effect since September 2014.*

Fewer credit cards are assigned to employees. In fact, the positions of Superintendent and Assistant Superintendent no longer have credit cards assigned. Travel costs formerly allowed on District credit cards are now prohibited charges.

In regards to gift cards, strict procedures have been established, which allow for limited use. The procedure allows gift cards of de minimis values to be purchased (a) for a token of appreciation to volunteers who have performed an unpaid service to the district, (b)



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as a student recognition award, (c) as a prize in a student contest, (d) as a student incentive, (e) as a prize in a fund raising activity, and (f) for unpaid presenters in lieu of compensation as a token of appreciation. Gift cards may not be issued to District employees. Purchasing a gift card with tax resources is not allowable. Purchasing a gift card through donated funds or monies raised through fundraisers is allowable. Finally, the gift card recipient must complete a gift card acknowledgement form concurrent with receiving the gift card.

The audit findings indicate charges made to credit cards held by former Superintendent Dianne Critchlow and her administrative assistant appear to be questionable or improper use of District financial. The Board of Education disapproves of these questionable and improper purchases totaling \$96,743 as a misuse of taxpayer funds. This constitutes a violation of the public trust. The District has previously demanded repayment from Dianne Critchlow for many questionable and improper credit card charge that constitute personal purposes, excessive expenditures, gifts of public property, and payments in violation of Missouri laws relating to conflicts of interest. Dianne Critchlow has failed to respond to District demands for repayment.

The Board of Education intends to consider the following actions: (1) seek recovery of the unauthorized improper and/or questionable charges made to credit cards assigned to Dianne Critchlow and her administrative assistant, (2) submit the record of improper and/or questionable credit card charges to the Jefferson County Prosecuting Attorney's Office to determine whether prosecution is warranted, and (3) in the event of a prosecution, notify the Public School Retirement System (PSRS), and/or the Public Educational Employees Retirement System (PEERS) about the potential need for correction or forfeiture of pension benefits.

Subject to these clarifications, the District is committed to full compliance with the recommendation.

- 2.2 *The Fox C-6 Board of Education and District Administration agree with the recommendation. Since July 2014, all requests for reimbursement are carefully reviewed for legitimacy and accuracy before approval and reimbursement.*

The District has adopted a more restrictive conflict of interest policy and an anti-nepotism policy. Both policies exceed the requirements of applicable state laws. It is worth noting the significant resistance toward strengthening the provisions of the anti-nepotism policy. Due to active opposition to appropriate anti-nepotism practices, it required three separate progressively



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strengthened versions over many months to attain the current strong anti-nepotism policy. Nepotism in local governmental agencies is, more often than not, adverse to maintaining proper operating procedures and achieving top performance. Before 2014, the active hiring or promoting of people that were related to board members or high level administrators created situations where (1) unqualified individuals were placed into positions of management where they failed, and thereby caused the District to incur excess costs related to the mismanagement and (2) engrained a culture of failing to abide by policy because people cannot seem to confront the wrong doing of another family member or close friend, which caused the District to incur misuse and waste of District money.

Dianne Critchlow and Jamie Critchlow appeared to have used taxpayer money for purposes that did not benefit the school district; made expenditures that were not properly documented, or constituted excessive expenditures, or gifts of public property; or in violation of Missouri laws relating to conflicts of interest. The Board of Education disapproves of any and all misuse of taxpayer funds.

The District is committed to full compliance with the recommendation.

3. District Financing

Significant improvement is needed in the handling of bonds and lease financing.

3.1 Bonds and lease participation certificates financing

The district did not obtain independent financial advice for all general obligation (GO) bond sales, and sold GO bonds using a negotiated sale rather than a competitive bid process. In addition, the Board did not competitively select an underwriter for any of the bonds or lease participation certificates issued.

Bonds

During fiscal years 2007 through 2013, the district sold 4 general refunding bond issues totaling \$28.13 million and 2 general obligation bond issues totaling \$18.5 million through negotiated sales. For each sale, the only financial advice the district relied on was provided by the bond underwriter. Using the bond underwriter for financial advice related to a bond issue could result in inadequate financial advice. In addition, the bonds were sold privately to the underwriter instead of through a competitive bid process, which would help ensure the lowest borrowing costs for the district. Also, the Board did not select the bond underwriter using a competitive process, but instead used an underwriter the district had previously contracted with. According to a district official, this underwriting firm has worked with the district for at least the past 8 years. The underwriter was paid a total of \$326,400 for these bond issuances.



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Lease participation
certificates

The closing memorandum for the 2008 GO Refunding Bond indicated the Board was eligible for reimbursement from the state's Missouri Direct Deposit Program for the underwriter's discount and the issuance costs for the bonds. The reimbursement would be determined based on the amount available under the provisions of the Missouri Direct Deposit Program. District records indicated no reimbursement has been received and no documentation indicating the Board had requested the reimbursement could be located. The underwriters cost and bond issuance costs were approximately \$67,000 and \$46,000, respectively.

During fiscal years 2007 through 2013, the Board issued 4 lease participation certificates totaling \$32.3 million. Lease participation certificates are a method of financing capital projects whereby a financial institution sells interests in the capital projects, leases the projects to a public entity, and repays the certificates with the lease payments. Lease payments by a school district cannot be paid for out of debt service funds, and therefore, must be repaid using operational funds. After the certificates have been repaid, the local government typically has the option to purchase at a nominal amount the capital projects being leased. Lease participation certificates are not required to be approved by district voters and carry higher borrowing costs than traditional bond financing. The firm that acted as underwriter for the bond issues previously discussed was also used as the underwriter for the lease participation certificates and was paid \$247,330 for these issuances.

Conclusion

The lack of independent financial advice could result in the Board not being adequately informed of debt issuance options or being unable to adequately evaluate debt proposals. The underwriter does not have a fiduciary responsibility to the district. In addition, not applying for reimbursement of bond underwriter and issuance costs when possible could result in unnecessary costs to the district.

The SAO completed a statewide review of general obligations bond sales practices¹ that determined negotiated bond sales historically result in increased interest costs. While Missouri law does not require competitive bond sales or competition in selecting bond underwriters and financial advisors, the historically lower interest costs on competitive sales suggest such sales to be in the best interest of the district. In addition, competition in selecting bond underwriters and financial advisors is important to ensure services are obtained from the best qualified providers at a fair price.

The Municipal Securities Rulemaking Board (MSRB) is the regulatory agency that oversees firms involved in underwriting municipal bonds and providing financial advice, and has issued various rules addressing the

¹ Report no. 2013-116, *General Obligation Bond Sales Practices*, issued in November 2013.



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activities and roles of financial advisors and underwriters. MSRB Rule G-23 clarifies the financial advisor has a fiduciary responsibility to the governmental entity (issuer) and cannot act as both financial advisor and underwriter on the same bond issue. Also, MSRB Rule G-17 requires underwriters to disclose that unlike a municipal advisor, the underwriter has no financial duty to the issuer, and is not required to act in the best interests of the issuer.

3.2 Sale of bonds

The district may incur approximately \$5.6 million in unnecessary interest costs by selling bonds at a premium. On August 7, 2012, district voters approved an \$18.5 million GO bond issue. The proceeds from the sale of the bonds were to be used for the purpose of acquiring technology including equipment, repairing, renovating, and improving existing school facilities, purchasing school buses, and converting the existing athletic facilities into multipurpose facilities.

Starting in the 2012-2013 school year, the district made changes in the allocation of state funds between the Special Teacher's Operating and Capital Projects Funds, with more funding going into the Special Teacher's Operating Fund. Also, the district approved a lower tax levy for the 2012-2013 school year resulting in reduced property tax revenues to the Capital Projects Fund. Based on discussions with district personnel, these and other factors resulted in the district using approximately \$1.8 million in bond proceeds for projects not on the original bond project list and that would have normally been funded with property tax revenues. These decisions may have resulted in the need for more funding and thus the sale of bonds at a premium.

The \$18.5 million bond issue was split into 2 sales. The district sold \$9.75 million in bonds in November 2012 with all bonds having a 5 percent interest rate and the remaining \$8.75 million in April 2013 with some bonds (\$3.875 million) having a 4 percent interest rate and others (\$4.875 million) a 5 percent interest rate. At the time of these sales the market rate for GO bonds of comparable maturity and structure was approximately 3 percent. As a result, the district received an additional \$4.2 million above the par value, or approximately \$22.7 million, for use on school projects. By structuring the sales in this manner the district will possibly incur approximately \$5.6 million² in additional interest costs. In addition, neither bond issuance is callable until about 10 years after issuance and repayment of the bond principal for both issuances does not begin until March 1, 2026. District officials could not provide documentation of the financial advice

² Calculation is based on the district's current debt service schedules and using 3 percent interest rate.



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received or the reasoning for structuring and selling the bonds at a significant premium above par value.

Without a thorough review and evaluation of the short- and long-term costs associated with the choice of financing and payment terms selected, the district cannot ensure the most efficient use of taxpayer monies and district resources have been achieved. Documentation is necessary to support decisions that result in significant additional costs to the district.

Conclusion

The Government Finance Officers Association recommends local governments adopt a debt management policy. The policy should reflect applicable local, state, and federal laws and regulations and address debt limits, debt issuance and structuring practices, debt management practices, and the use of derivatives. A comprehensive debt management policy should improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuances, and demonstrate a commitment to long-term capital and financial planning.

Recommendations

The Board of Education:

- 3.1 Pursue open competition in any future bond sales. The Board obtain independent financial advice for bond and lease participation certificate issues. The Board should also ensure the district seeks reimbursement from the state for any qualifying bond costs.
- 3.2 Ensure a thorough review and evaluation of all costs associated with obtaining financing has been performed and that financing decisions are adequately documented. In addition, the Board should adopt a comprehensive debt management policy.

Auditee's Response

- 3.1 *The District agrees with the recommendation to award separate professional services contracts to its financial advisor and the bond underwriter to avoid any conflict of interest when issuing bonds.*

The District agrees with the intent of pursuing open competition in bond sale transactions; however, the District holds the opinion that it is preferable and financially advantageous when open competition is structured to take place when the bonds are sold into the financial markets versus sealed bid sales to a reselling underwriter/broker which must factor in the cost of market risk of time between the date of the bid and the eventual availability of bonds several weeks later.

The Board of Education intends to consider options for reporting the inappropriate dual capacity of George K Baum & Company (acting as both financial advisor and bond underwriter) to the



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Securities and Exchange Commission (SEC) to determine whether disciplinary action is warranted.

Subject to these clarifications, the District is committed to full compliance with the recommendation.

- 3.2 *The District agrees with the recommendation to thoroughly review and evaluate all costs associated with financing transactions. Establishing policy regarding debt management is also an agreeable recommendation.*

The structure of the debt transactions known as Series 2012A and Series 2013B cannot be justified based upon interest rate market conditions at the time of issuance. Specifically, interest rates on the bonds were set approximately 2 percent greater than prevailing market rates, principal payments were delayed for more than a decade and well past call dates, thereby creating a high cost financing with no opportunity for refinancing. George K Baum & Company served as the bond underwriter and Bryan Cave LLP served as bond counsel. The District believes that these entities failed to act in the best interest of the client Fox C-6 Schools by failing to provide adequate disclosure to the Board of Education regarding the structure of this deal, which yielded an excessive premium (approximately 22.7%, or \$4.19 million on \$18.5 million of par value), to explain what the premium represents (advanced interest costs), and to explain the lack of principal payback on a serial bond series during the early years of the issue (first principal payment in 2026 for issue dates in 2012 and 2013).

In January 2013, then Superintendent Dianne Critchlow indicated the district had "earned" extra money when the bonds were issued, stating in a letter: "You may ask yourself, how can this occur?," and then gave an explanation that "all the stars aligned for the school district." This explanation was wrong because extra money is not "earned" in a borrowing transaction; and likewise, money does not fall from outer space. Ultimately, the bond financing represented by Series 2012A and Series 2013B should be viewed as a disaster.

While Dianne Critchlow took the lead for the District on offering an explanation, Chief Financial Officer James Berblinger had an obligation to manage these bond transactions toward a prudent outcome for the District. Critchlow and Berblinger are no longer employed by Fox C-6 Schools. Additionally, Fox C-6 Schools will not use George K Baum & Company or Bryan Cave LLP on future bond deals.



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The Board of Education intends to consider options for (1) recovery from George K Baum & Company the excessive interest costs resulting from the deficient structure of certain bond financings underwritten by George K Baum & Company and (2) submitting a complaint against George K Baum & Company to the Securities and Exchange Commission (SEC) to determine whether discipline is warranted for the underwriter's seeming failure to adequately inform and disclose the detrimental structure of the above referenced bond issues to the Board of Education.

Auditor's Comment

- 3.1 The in-depth analysis of GO bond sales practices conducted by the State Auditor's Office (referenced above) provided evidence that the potential savings the district could achieve via competitive sale outweighs any timing issues.

4. Scholarships

The school district did not have policies or procedures regarding scholarship handling and record-keeping requirements. In addition, procedures and records pertaining to some scholarships were not adequate. The district established a scholarship policy effective with the 2014-2015 school year.

There were 10 scholarships awarded from district held accounts. The Superintendent's office administered 3 of the scholarships, a committee outside district operations handled 5 of them, and individual clubs at the high schools handled the other 2. The scholarships administered by the Superintendent's office included the Fox Showcase Scholarship funded by admissions fees from annual intradistrict football and basketball games between the Fox and Seckman high schools, the Golf Tournament Scholarship funded by registration fees for a golf tournament fundraiser, and the Salsman Memorial Scholarship funded by donations.

Dr. Critchlow's sons, along with other students, were awarded scholarships from the 3 scholarships administered through her office. Her office was responsible for all aspects of these scholarships, including accepting student applications, evaluating applications and selecting recipients, maintaining records, and completing check authorization requests for student scholarship payments. Our review focused primarily on the handling of the Fox Showcase, Golf Tournament, and Salsman Memorial scholarships. We identified inconsistencies in handling of admission fees for intradistrict and other games, incomplete scholarship records, incomplete check authorization requests, and various unusual items with regard to these scholarship awards.

- Depositing procedures for admission fees for intradistrict basketball and football games used to fund the Fox Showcase Scholarship were handled differently than admission fees for other games.



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District personnel indicated the process for depositing monies generated at these games differed from those for other athletic events, and that the Superintendent directed that monies from the admissions fees be deposited into the Fox Showcase scholarship account. Our review of the district's depositing records and Fox Showcase Scholarship bank account ledger showed that typically deposits were handled by the athletic secretaries at the high schools but that deposits associated with select intradistrict rivalry games were handled by the Superintendent's office. We also noted admissions fee receipts from intradistrict games were not consistently deposited into the same account. During fiscal years 2009 through 2013, the district deposited \$14,530 from admission fee receipts from intradistrict games into the Athletic Account instead of the Fox Showcase Scholarship account. There was no documentation to support the decision.

- Complete records were not maintained to support these scholarship awards. We obtained blank application forms for the Fox Showcase and Golf Tournament scholarships that indicated completed applications were to be submitted to the Superintendent or her administrative assistant. An application for the Salsman Memorial Scholarship could not be located by district personnel. Also, all applications submitted and other records to document the selection and award process were not available. The district retained check authorization requests and records of scholarship bank account activity listing checks disbursed to students awarded scholarships. The district's current scholarship policy includes requirements regarding records to be created and retained.
- The check authorization requests for these 3 scholarships were signed only by Dr. Critchlow or her administrative assistant on behalf of the Superintendent. Check authorization requests for other scholarships disbursed through district accounts contained multiple levels of approval signatures as required by the request form.
- Dr. Critchlow's sons graduated in 2010 and 2013. We noted the following for those years.

Fox Showcase scholarships were awarded only to 2010 and 2013 seniors. Including the Superintendent's sons, 6 students received this scholarship in 2010 and 9 students received this scholarship in 2013. In May 2010, the Superintendent authorized a \$1,000 Fox Showcase scholarship to her son, and in April 2013 the Superintendent authorized 2 Fox Showcase scholarships totaling \$2,500 to her other son. Explanations provided to the SAO indicate Dr. Critchlow's son was awarded 2 Fox Showcase scholarships because he qualified for the scholarship in more than one sport (basketball and football), along with one other student that year. However, the district's showcase activity



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account records show only Dr. Critchlow's son received 2 scholarships from the Fox Showcase Scholarship fund. Scholarship applications we obtained showed there were 2 separate forms - one for basketball and one for football.

Salsman Memorial scholarships were awarded in 2013 from donations received during the 2011 school year. In April 2013 a \$500 Salsman Memorial scholarship was authorized by the Superintendent to her son, and 2 other students.

In May 2010, \$900 Golf Tournament scholarship payments were authorized by Dr. Critchlow to 19 students including her son. In June and July 2013, 2 Golf Tournament scholarship payments were given to the 12 students awarded this scholarship (\$1,935 in total to each student) including her son. According to explanations provided to the SAO, it was decided that 2013 would be the last year for the golf scholarship, and because the tournament had generated more funds than were paid out in initial scholarships and was advertised as all proceeds go toward scholarships, remaining funds were paid out in a second round of scholarships. However, our review of bank account activity shows the final transaction out of the account was the transfer of approximately \$1,400 to the Salsman Memorial Scholarship account and that golf tournament donations/fees during the 2012-2013 school year were far less than monies paid out. There was, however, a substantial balance in the bank account at the beginning of the school year.

Due to the significant scholarship amounts awarded and the relationship between the Superintendent and her sons, there should have been additional reviews or independent parties involved in the awarding of these scholarships and authorization of disbursements. To avoid conflicts of interest or improper benefits from occurring between scholarship administrators and potential recipients, compliance with existing policies and procedures is essential.

Recommendation

The Board of Education ensure compliance with established policies and procedures related to the funding and awarding of scholarships.

Auditee's Response

The District agrees with the recommendation. In December 2014, appropriate policy and procedures were developed regarding the funding and awarding of scholarships to students. These procedures require that scholarships be awarded on an objective and nondiscriminatory basis from a group of applicants or potential recipients that is sufficiently broad to make it evident that it does not benefit particular persons; using legitimate criteria such as prior academic performance, performance on tests designed to measure ability and aptitude for college work, recommendations from instructors, financial need or personal interviews regarding a person's



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motivation, character, ability and potential; using written selection procedures and written selection criteria determined in advance of the selection process, using a multi-person selection committee that has been vetted to eliminate conflicts of interest, and maintaining a record of all proceedings.

The audit found that the District did not have proper policies during Dianne Critchlow's administration. There were fund raising activities designed to provide scholarships to students that were not properly documented. It also found that Dianne Critchlow awarded nearly \$7,000 in cash scholarships to her two sons. The Board of Education disapproves of these undocumented procedures and conflicts of interest.

The District is committed to full compliance with the recommendation.

5. Accounting Controls and Procedures

Significant improvements are needed in the handling of petty cash accounts; student activity, athletic, and other student fees; and concession sales. These types of payments received are at greater risk because most are in cash, and there is a variety of handling and record-keeping methods throughout the schools. Due to numerous control weaknesses, there is less assurance of proper handling and accountability. In December 2014, we reviewed cash controls and procedures at the Fox High School, Seckman High School, Ridgewood Middle School, Antonia Elementary School, and Rockport Heights Elementary School. We also reviewed the cash controls and procedures for the before and after school program (Character Kids Club), preschool program (Building Blocks), and the district's Central Office in the administrative building.

School secretaries are generally responsible for the receipting, recording, depositing, and reconciling of monies collected and the secretaries maintained petty cash funds at each of the facilities visited. Athletic event attendance and concession sales are generally handled by applicable school organizations. School administrators provide minimal oversight of the secretaries' duties or athletic event attendance and concession sales.

The current CFO issued a "Cash Related Standard Operating Procedures" set of instructions to all district facilities in September 2014. These procedures were issued to provide additional details to already existing policies and regulations. The document includes cash receipting, depositing, and several other cash handling procedures to strengthen controls. None of the facilities visited were compliant with the policy.

5.1 Petty cash and change funds

We noted several concerns regarding petty cash transactions and change funds.

Petty cash

District Policy 3235 and Regulation 3050 provides for a \$300 petty cash account to be maintained on an imprest basis and replenished for the amount



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of receipts by checks from the district's general checking account. We identified various concerns with the district's petty cash fund procedures and oversight.

- The district does not have a listing of approved petty cash funds, the funds are not maintained on an imprest basis, and there is no review or approval by district personnel of petty cash expenses. In addition, the formal policy does not address specific purchasing limits. Also, the district has a petty cash custodial agreement that is to be completed by the individual responsible for maintaining the fund. The agreement specifies terms and conditions for the custodian to follow for the petty cash fund, but it has not been provided to responsible parties for completion.
- Petty cash funds are not maintained on an imprest basis at the district allowed amount. We reviewed petty cash fund balances at 5 schools on various dates during December 2014 and determined all 5 schools had petty cash balances (consisting of cash and purchase receipts) that differed from the district's authorized \$300 balance. Petty cash balances at the Fox High School, Rockport Elementary School, Ridgewood Middle School, Seckman High School, and Antonio Elementary School were \$332, \$304, \$1,131, \$274, and \$867, respectively. In addition, while not a formally established petty cash fund, the maintenance department had \$4,545 in cash that was used like a petty cash fund at July 1, 2014.
- Ledgers are not maintained for some petty cash funds to document transactions and some ledgers contained incorrect dates and amounts, or were missing information such as vendor names. In addition, petty cash is not counted on a set schedule, there are no independent reviews to ensure petty cash funds are being maintained properly at any of the schools reviewed, and monies at some schools are not adequately secured.
- Schools periodically withhold receipts from deposits to replenish petty cash. Personnel at each school visited indicated they have held out receipts to fund petty cash for several years. For example, during our cash counts performed in December 2014, we noted Seckman High School, Rockport Elementary School, Ridgewood Middle School, Antonio Elementary School, and the maintenance department withheld receipts totaling \$6,056 from deposits to replenish petty cash funds. Also, Fox High School employees indicated that parking fees are held out to replenish the petty cash fund; however, we were unable to determine the amount due to a lack of records.

In addition, from July 2013 through December 2013, the Character Kids Club and Building Blocks withheld cash of \$2,737 and \$280,



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respectively, to use as petty cash. Those programs do not have established petty cash funds.

To ensure all receipts are appropriately handled and recorded, district policy and procedures should be followed and enforced. Also, the district should maintain a petty cash ledger for each fund documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements of the fund. Further, the district should maintain a listing of all authorized petty cash funds and amounts, establish procedures for adding funds or changing fund amounts, and periodically audit the petty cash funds. The district should establish formal petty cash expenditure purchasing limits and ensure only small and emergency expenditures are made from petty cash funds.

Change funds

Controls over the district's change funds need improvement. Each school office maintains a change fund. The district does not have a list of approved change funds or a written policy regarding these funds. In addition, the change funds are not maintained at a constant amount and no independent review is performed. Both high schools regularly hold monies out of collections from various sporting events (admission and concession). For example, cash counts of the admission and concession change funds at the Fox High School in December 2014 noted \$924 more on hand than school personnel indicated should have been on hand. The additional \$924 had been held since the prior school year.

Written policies should be established outlining the procedures for maintaining, using, and accounting for change funds. The district should also maintain a list of all authorized change funds and amounts, and establish procedures for adding funds or changing fund amounts. In addition, to safeguard against possible loss, theft, or misuse of funds, change funds should be maintained at a constant amount. Periodically, the funds should be counted and reconciled to the authorized balance by an independent person.

5.2 Athletic events and concession sales

Accounting controls for district athletic events and concession sales need improvement. The district collected approximately \$53,500 and \$55,900 in admission fees for the 2013-2014 and 2014-2015 school years, respectively. Concessions sales from Seckman High School activities totaled approximately \$59,600 for the 2013-2014 school year. Concessions sales from Fox High School activities are not separately identified in the accounting records, but according to district personnel these sales along with student activities monies totaled approximately \$74,300.

According to district employees, admission start-up money is provided to workers to make change at each event. We attended athletic events at Fox High School on February 19, 2015, and Seckman High School on February 27, 2015, and observed procedures for handling admission fees



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and concession sales. At Fox High School, the admission fees and concession sales are counted by one individual at the end of the event and the amounts are recorded. The money is placed in the safe to be deposited the next school day. Following events, Seckman High School workers do not count monies on hand and prepare the deposit the next school day. The difference between the starting cash and ending cash is deposited and recorded as admission fees or concession sales for that event. Admission fees to varsity sporting events are \$5 for adults and \$1 for students. However, tickets are not issued to attendees and no other method is used to count them. Without a method to determine attendance numbers, the completeness of monies collected and subsequently deposited cannot be verified.

In addition, the district does not require inventory records of concession items purchased, sold, and on hand to be maintained and reconciled to concession monies collected. Athletic department personnel perform a weekly check to determine what is needed for concessions.

To ensure admission fees are accounted for properly, the district should issue prenumbered tickets for admission to athletic events and reconcile the tickets issued to monies collected and subsequently remitted for deposit. In addition, to properly account for concession sales, an inventory of concession merchandise purchased, sold, and on hand should be maintained and reconciled to collections.

5.3 Receipting, transmitting, and depositing

Receipting and depositing procedures over fees are not sufficient, and transmittal procedures do not provide proper accountability.

- We reviewed the deposits for a selected month for the main office, cafeteria, and athletic department (high schools only) at Fox High School, Seckman High School, Rockport Elementary School, Antonio Elementary School, and Ridgewood Middle School. In addition we reviewed the Central Office deposits. Receipt slips were not routinely issued at any location. As a result, deposits could not be reconciled to supporting documentation. Deposits totaled \$641,725 at Fox High School, \$567,630 at Seckman High School, \$84,163 at Rockport Elementary School, \$86,837 at Antonio Elementary School, \$52,003 at Ridgewood Middle School, and \$56,894 at the Central Office during school year 2013-2014. Also, a review of the cash register report at the Fox High School cafeteria identified several instances where personnel recorded the incorrect method of payment.
- Receipts are not always transmitted or deposited timely or intact. As previously discussed, monies are being held out of deposits for petty cash and change funds. Monies collected for parking lot tags are kept in a coffee can at the Fox High School and only checks and \$20 bills or higher denomination are deposited. In addition, because receipt slips are



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not issued the length of time monies are held prior to deposit cannot be determined.

- Some district receipts are handled by several employees before deposit and there is not adequate documentation to support the transmittal of monies from one district employee to another. We identified this weakness at all facilities visited. For example, none of the elementary schools maintained documentation of the interschool mail employee or central office janitorial staff, picking up deposits to be transported to the bank. Also, receipt slips are not provided when building coordinators for the Character Kids Club and Building Blocks programs deliver monies to the program director's office to acknowledge the transmittals.
- Checks received are not always restrictively endorsed immediately upon receipt. We identified this weakness at all facilities visited except Seckman High School and the Central Office. Cash counts performed in December 2014 identified 30 checks totaling \$5,979 were not restrictively endorsed. District personnel indicated the checks are endorsed when a deposit is prepared.

Inadequate receipting, transmittal, and depositing procedures and records increase the risk of loss, theft, or misuse of funds. To ensure monies are accounted for properly and deposited, official prenumbered receipt slips should be issued in numerical order for all monies received and transferred between district employees. In addition, the method of payment should be recorded on receipt slips and reconciled to the composition of receipts recorded in the accounting system and deposits or transmittals. All checks and money orders should be restrictively endorsed upon receipt.

5.4 Segregation of duties

The district has not adequately segregated the duties of receiving, recording, and preparing deposits at the 5 schools visited, and documented supervisory or independent reviews of the accounting records are not performed. Secretaries at the 5 schools receive and record monies and prepare deposits.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, periodic supervisory or independent reviews of the records should be performed and documented.

5.5 Electronic signatures

Electronic facsimile signatures are not adequately safeguarded to prevent misuse and are not used in compliance with district policy. District Policy 3180 provides for using electronic signatures to sign checks. However, as discussed in MAR finding number 1.1, we identified instances where the electronic facsimile signatures for the Board President and Secretary were automatically applied to employment contracts when printed by the HR department, which is not allowed by policy. In addition, the use of the



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electronic facsimile signatures on these documents was not subsequently approved by the official or the Board.

If the Board President and Secretary are unavailable to sign employment contracts, they should subsequently document review of records signed using the facsimiled signature to safeguard against possible misuse. In addition, district policy over electronic signatures should be reviewed and revised, if needed, to provide more comprehensive guidance.

Recommendations

The Board of Education:

- 5.1 Ensure petty cash funds are maintained on an imprest basis and usage is properly documented, the expenditures are necessary and reasonable, and a supervisory review performed. In addition, the Board should ensure school change funds are accounted for properly.
- 5.2 Establish procedures to issue tickets at athletic events or use an alternative method to reconcile admission receipts to event attendance and periodically reconcile concession sales to changes in concession inventory.
- 5.3 Ensure monies are properly receipted, reconciled to the composition of deposits, and deposited timely and intact. The Board should also ensure transmittals of monies between employees are documented and checks are restrictively endorsed upon receipt.
- 5.4 Ensure duties of receiving, recording and preparing deposits are segregated or implement adequate supervisory reviews if duties cannot be appropriately segregated.
- 5.5 Review use of electronic signatures and the related district policy. If needed, revise the policy to more comprehensively address the use of electronic signatures.

Auditee's Response

- 5.1 *The District agrees with the recommendation. In August 2014, appropriate policy and procedures were developed regarding petty cash funds. The petty cash policy provides, in part, that cash funds will be kept in a secure place at all times, all disbursements must have proper back-up documentation, and petty cash is not allowed to reimburse meals or travel expenditures. The District acknowledges that all schools did not follow the policy.*

The District is committed to full compliance with the recommendation.



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5.2 *The District agrees with the recommendation. In September 2014, appropriate operating procedures for cash were developed and distributed district wide. Ongoing review and training is required to assure and maintain compliance with established procedures.*

The District is committed to full compliance with the recommendation.

5.3 *The District agrees with the recommendation. In September 2014, detailed operating procedures for cash were developed and distributed district wide. Ongoing review and training is required to assure compliance with these procedures.*

The District is committed to full compliance with the recommendation.

5.4 *The District agrees with the recommendation. In September 2014, appropriate operating procedures for cash were developed and distributed district wide. Ongoing review and training is required to assure compliance with these procedures.*

The District is committed to full compliance with the recommendation.

5.5 *The District agrees with the recommendation. In September 2015, policy was adopted in regards to use of electronic signatures.*

The District is committed to full compliance with the recommendation.

6. District Policies and Procedures

The Board did not adequately monitor for conflicts of interest. In addition, procedures and controls over students' meal balances, student workers, student computer usage agreements, and rental of district facilities need improvement. In addition, the district did not maintain records to track the usage of the Superintendent's vehicle.

6.1 Conflicts of interest

The Board did not adequately monitor for conflicts of interest or self-dealings pertaining to former Superintendent Critchlow and her family members. As a result, conflicts of interest in transactions occurred. Our report noted the following:

- Some of Dr. Critchlow's contracts did not have proper board approval and increases in pay were not clearly approved by the board. All contracts were signed by Dr. Critchlow; however, it is not clear if the Board was involved in any of the contract changes. (See MAR finding number 1.1.)



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- The Board did not ensure proper independent reviews of Dr. Critchlow's credit card purchases, and as a result many questionable purchases were noted. Also, Dr. Critchlow approved reimbursement requests for her husband, which represents a conflict of interest. It would have been appropriate for the assistant superintendent, his direct supervisor, to authorize such reimbursements. (See MAR finding number 2.)
- Dr. Critchlow authorized scholarship payments to her sons without any independent review of supporting documents. Documentation was not provided to show evidence scholarship requirements were met and/or whether anyone else was involved in scholarship award decisions. (See MAR finding number 4.)
- Dr. Critchlow authorized the purchase of her district-provided vehicle without Board approval, even though the Board had accepted a less expensive vehicle bid. (See MAR finding number 7.1.)

Because these various arrangements resulted in financial benefit to Dr. Critchlow and her family, careful oversight was imperative.

District policies included some provisions regarding potential employee conflicts of interest and supervision and evaluation of relatives. Oversight was not sufficient to ensure compliance with policies, and district policies were not all inclusive of situations identified during the audit. The lack of proper oversight by the Board allowed unsupported and unnecessary payments, improper approvals of payments to relatives, and noncompliance with Board decisions.

6.2 Cafeteria meals and student balances

The district does not have adequate procedures in place for monitoring collection activity, or policies or procedures to resolve balances remaining on accounts of students that have graduated or left the district. As of January 31, 2015, the district had 2,831 student accounts (currently enrolled) with negative balances totaling approximately \$110,000. Also, as of May 11, 2015, the district had at least 1,039 former students with balances totaling \$6,249. The total only includes activity since July 2013 because district personnel could not provide account information prior to the time the current accounting system was implemented.

Proper procedures for accounts receivables is necessary to help ensure unpaid meal balances are collected and unused balances are refunded or disposed of in accordance with applicable state laws. Proper monitoring is necessary to provide information to the district when amounts are deemed uncollectible and should be written off.

6.3 Student workers

The district employs student workers, both high school and college students. These workers perform jobs such as shredding paper, working for the



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district-provided before/after care programs, maintenance work, and clerical work. The district does not have a formal policy that establishes rates of pay. However, the payroll supervisor that had been in that position since 1995 until her retirement from the district in June 2015 indicated the standard hourly rates of pay (for the period we reviewed) were \$10 for college students and \$7.35 for high school students until the 2010-2011 school year, at which time the high school student rate increased to \$8. Varying hourly rates were paid among student workers without documented explanations.

We reviewed student worker payroll records and timesheets for the period July 2009 to June 2014 and identified various concerns including pay rates exceeding the standard rates for some student workers, numerous timesheets with incomplete details, and numerous timesheets without evidence of supervisor approval.

- During the 2013-2014 school year the district employed 18 high school and 21 college students. Payroll records showed that 11 college students were paid at rates exceeding \$10 per hour, with some paid \$12.50 per hour and others paid \$15 per hour. Based on hours worked and using the standard rate as compared to the actual pay rate, we determined these 11 college students were paid \$163,428 or \$44,818 more than would have been paid had the standard student rate been consistently paid. The following chart shows the excess amounts and rates paid for these 11 students during the 2013-2014 school year.

2013-2014 Student Workers	Total Paid	Number of Hours	Standard Rate	Pay Using Standard Rate	Higher Rate Paid	Amount Paid Over Standard Rate
College Student A ¹	\$ 25,800	1,720	\$ 10.00	\$ 17,200	\$ 15.00	\$ 8,600
College Student B	20,384	1,732	10.00	17,320	15.00 ²	3,064
College Student C	19,673	1,312	10.00	13,120	15.00	6,553
College Student D	18,470	1,231	10.00	12,310	15.00	6,160
College Student E	17,871	1,468	10.00	14,680	15.00 ²	3,191
College Student F	16,442	1,096	10.00	10,960	15.00	5,482
College Student G ¹	11,413	913	10.00	9,130	12.50	2,283
College Student H	10,796	720	10.00	7,200	15.00	3,596
College Student I	9,438	678	10.00	6,780	15.00 ²	2,658
College Student J	9,265	681	10.00	6,810	15.00 ²	2,455
College Student K	3,876	310	10.00	3,100	12.50	776
Totals	\$ 163,428	11,861		\$ 118,610		\$ 44,818

¹ Superintendent's son

² Higher rate only paid part of the year



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During the 2012-2013 school year the district employed 49 high school and 5 college students. Payroll records showed the 5 college students were paid \$15 as opposed to \$10 per hour and 4 high school students were paid at rates exceeding \$8 per hour, with 1 paid \$8.50 per hour and 3 paid \$10 per hour. Based on hours worked and using the standard rates as compared to the actual pay rates, we determined these 9 students were paid \$91,005 or \$27,055 more than would have been paid had the standard student rates been consistently paid. The following chart shows the excess amounts and rates paid for these 9 students during the 2012-2013 school year.

2012-2013 Students Workers	Total Paid	Number of Hours	Standard Rate	Pay Using Standard Rate	Higher Rate Paid	Amount Paid Over Standard Rate
College Student A ¹	\$ 19,560	1,304	\$ 10.00	\$ 13,040	\$ 15.00	\$ 6,520
College Student B	17,265	1,151	10.00	11,510	15.00	5,755
College Student C	12,290	819	10.00	8,190	15.00	4,100
College Student D	9,690	646	10.00	6,460	15.00	3,230
College Student E	8,385	559	10.00	5,590	15.00	2,795
High School Student F ¹	11,905	1,191	8.00	9,528	10.00	2,377
High School Student G	5,821	582	8.00	4,656	10.00	1,165
High School Student H	5,332	533	8.00	4,264	10.00	1,068
High School Student I	757	89	8.00	712	8.50	45
Totals	\$ 91,005	6,874		\$ 63,950		\$ 27,055

¹ Superintendent's son

In addition, a review of student workers for the 2009-2010, 2010-2011, and 2011-2012 school years determined 6 students were paid at rates exceeding the standard student rates. As a result, they were paid a total of \$62,484, resulting in \$19,707 more than would have been paid had the standard student rates been consistently paid. Two of the students consistently paid at higher rates from July 2009 to June 2014 were the Superintendent's sons. One received payments totaling \$65,592 during the period and the other received \$27,758.

- Student worker timesheets were not always properly completed and approved by a supervisor. Timesheets require time in/out, lunch time in/out, total hours worked each day, an explanation of any overtime worked, and the worker's and supervisor's signatures. Overall timesheet details and approvals were lacking.

Many of the Superintendent's sons' timesheets were not approved by a supervisor and times in/out were generally not recorded. Also, when the timesheets were approved, it was by a supervisor not working in the same location. Of 180 total timesheets submitted by her sons, 76 did not have supervisor approval and only 2 listed times in/out. In addition,



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there was no supervisor approval for 61 of 63 timesheets for another student, 7 of 13 timesheets for a second student, and 4 of 5 timesheets for a third student. Similar problems of no supervisor approval or timesheets lacking details were noted for other students also, but were not as pervasive.

District policy and regulations should clearly define all student compensation to ensure all employees are treated fairly and equitably and salaries are properly calculated. Proper completion and approval of timesheets is necessary to document hours worked and support payroll disbursements.

6.4 Student computer usage forms

The district does not always maintain students' signed Internet, email and computer use agreement forms and some schools are not using the most current form. Students are required to sign this agreement when they register for school each year per district Regulation 6531 and the copies are to be maintained at each school; however, a review of 20 students from 3 schools determined forms for 6 students could not be located and 9 students had signed outdated forms.

Maintaining documentation along with using the latest approved forms prevents misunderstandings from occurring and is necessary to demonstrate students have been provided with, reviewed, and agreed to abide by the applicable district policies.

6.5 Rental of district facilities

The district does not adequately approve any deviations from the approved fee schedule outlined in district Regulation 7705 when charging fees to rent district facilities. The district rents its facilities to various organizations and individuals for events. The district collected rental fees totaling approximately \$217,000 and \$170,000 for the year ended June 30, 2015, and June 30, 2014, respectively.

We reviewed 6 rental agreements for the 2013-2014 school year and noted some concerns. The district charged 2 not-for-profit organizations half of the standard fees charged to such entities; however, Board approval was not documented. Per district Regulation 7705, the Board reserves the right to waive all, or a part, of the fee schedule at its discretion. In addition, for 2 of the 6 agreements reviewed non-district sports teams were not charged to hold practices at district facilities. There was no documentation to support the method used to determine how or when scheduled fees were reduced or waived. Fees to hold practice may be waived if 75 percent of participants are from the district. District personnel indicated they usually follow procedures used from prior years even if they conflict with district policy. Also, a facsimile signature stamp is used by district personnel showing supervisory approval; however, district personnel stated the supervisor does not actually review and approve most of the rental agreements.



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To ensure renters are treated equitably and in accordance with district regulation, the district needs to maintain documentation of reasons and approvals for rental fees that are reduced or waived.

6.6 Superintendent's vehicle

Dr. Critchlow's contract provided her with a district-owned vehicle to be used in carrying out her duties as Superintendent. There was no log or other accounting of the use of this vehicle. The district did not report any value of the usage of a district vehicle as compensation to Dr. Critchlow. The current Superintendent is not provided the use of a district vehicle.

The Internal Revenue Service (IRS) regulations require personal and commuting mileage to be reported as fringe benefits and require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs that document business and personal use. Failure to report all taxable benefits can result in the district being subject to penalties and/or fines. If personal and/or commuting use of district vehicles is allowed, procedures must be in place to ensure these regulations are complied with and ensure all employees are aware of any usage restrictions and treated similarly in accordance with an established policy.

Recommendations

The Board of Education:

- 6.1 Monitor for conflicts of interest and enforce compliance with district policies related to conflicts of interest and supervision of relatives. In addition, the Board should provide oversight of financial transactions of the Superintendent.
- 6.2 Establish policies for charging meals provided to students and monitor and resolve student cafeteria balances at year end.
- 6.3 Establish a written policy covering student pay rates and ensure students are paid at the appropriate rates. In addition, the Board should ensure student workers' timesheets are properly completed and immediate supervisors sign them to indicate their approval.
- 6.4 Ensure the district maintains all required forms from students and current approved forms are used.
- 6.5 Ensure rental fees are charged in accordance with established fee schedules, and establish proper documentation and approval procedures for fee waivers.
- 6.6 Ensure compliance with IRS reporting guidelines and maintenance of vehicle usage logs as appropriate.

Auditee's Response

- 6.1 *The District agrees with the recommendation regarding conflicts of interest. Since July 2014, the Board of Education has adopted*



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revised policy relating to conflicts of interest (including anti-nepotism provisions, one type of conflict of interest) which are more restrictive than required by law.

Conflict of interest issues are a critical matter for local government. The legitimacy of governance relies on public confidence in public officials to act fairly and impartially and in the best interests of the community. Specific areas of concern include (a) the risk of preferential treatment, such as abuse of office and self-dealing, (b) the risk of adverse treatment, such as prejudice and ideological bias, (c) the risk of accepting gifts and benefits, and (d) the risk of using government property, such as information along with equipment, facilities and financial assets.

The District is committed to full compliance with the recommendation. Toward that objective, the District's policy regarding conflicts of interest seeks to establish an ethical culture, with a commitment to serve the public interest at its core and recognizes that conflicts of interest diminish public confidence in the organization. An ethical culture is the single most important factor that ensures the organization retains the public trust required in today's modern world, and therefore, must be ingrained at every level of the organization in each and every task performed.

- 6.2 *The District agrees with the recommendation. In July 2015, revised Student Meal Account Guidelines were developed and distributed district wide.*

The audit finding reports a large accumulation of negative student meal account balances. The District believes that this resulted from Dianne Critchlow failing to cause proper collection procedures to be followed, which negatively affected District finances.

The District is committed to full compliance with the recommendation.

- 6.3 *The District agrees with the recommendation and has established procedures for compliance.*

The audit found that the District did not have a proper policy and that some student workers, including Dianne Critchlow's sons, were paid at a higher rate than the District's informal rate. During 2013-2014 alone, the District had a combined cost in excess of \$40,000 for compensation paid to the two sons of Dianne Critchlow, which was \$10,883 of wages in excess of the wages they would have been paid under the informal rate. Another \$8,897 of excess wages were paid to the two sons of Dianne Critchlow during 2012-2013. The audit report also indicates their timesheets were not approved by an



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immediate supervisor. The Board of Education disapproves of these overpayments and this conflict of interest relating to the former Superintendent's sons.

The District is committed to full compliance with the recommendation.

6.4 *The District agrees with the recommendation and is committed to full compliance with the recommendation.*

6.5 *The District agrees with the recommendation. In January 2016, revised facility use procedures and fee schedules were adopted that provide a uniform approach to facility access and cost for facility users.*

The District is committed to full compliance with the recommendation.

6.6 *The District agrees with the recommendation and has implemented procedures that comply with IRS guidelines.*

The District is committed to full compliance with the recommendation.

7. Disbursements and Contracts

The district's procedures for soliciting bids and entering into written contracts need improvement.

7.1 Bidding procedures

The district does not always follow its bidding policy when obtaining goods or services. Board Policy 3210 requires employees to obtain quotes from multiple vendors for purchases totaling \$12,499 and lower and competitively bid purchases of \$12,500 and higher. However, Board policy does not address bid requirements when multiple purchases from any one person or vendor total \$12,500 or more during a set period of time (e.g., 90 days). Our review of 20 school year 2013-2014 disbursements requiring bids under district policy determined the following 6 items were not appropriately bid.

Item or Service	Cost
Computers	\$ 188,473
Education training for teachers	118,915
Bus maintenance and repair	40,814
Curriculum training	21,600
Hotel for student choir trip	16,255
Banquet room rental	16,151



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The district had no documentation showing the education and curriculum training services were sole source and district personnel indicated bids were not obtained from other providers. The district utilized the same vendor for multiple bus maintenance and repair transactions in June 2013 and total purchases exceeded the \$12,500 threshold but bids were not solicited. In addition, the district utilized the same vendor for all computer equipment purchased during the 2014 fiscal year, and purchases exceeded the \$12,500 threshold but bids were not solicited. Also, the district does not have a contract with the bus maintenance and repair vendor.

The Board received 4 bids and approved the lowest bid of \$34,404 for a district-owned vehicle for the Superintendent during its April 16, 2013, meeting, but this vehicle was not purchased. Rather, the Superintendent subsequently signed a purchase order dated April 22, 2013, with a vendor that had submitted a bid of \$42,290 that was rejected. The final cost of the vehicle purchased was \$43,337. The Board did not approve the purchase and district staff issued payment to the vendor based on documents submitted and approved by the Superintendent.

Competitive bidding not only ensures the district is complying with Board policy, but also helps ensure all parties are given an equal opportunity to participate in district business. Documentation of the selection process and criteria, including sole source procurement or changes to approved purchases should be retained to support purchasing decisions. Also, a more comprehensive procurement policy establishing time frames when threshold amounts apply would provide a more effective framework for economic management of district resources.

7.2 Professional services and contracts

The district has not established policies for the selection of vendors providing professional services. Additionally, the district did not solicit requests for proposals for the three professional services reviewed, including auditing services costing \$17,000 (see MAR finding number 10.2 for more information regarding auditing services), architectural services costing \$129,051, and legal services costing \$61,560 for the year ended June 30, 2014. Also, the district did not have a written agreement for the legal services.

Soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the district to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Sections 8.285 to Section 8.291, RSMo, provide requirements for the selection of architectural services and Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.



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Recommendations

The Board of Education:

- 7.1 Solicit bids in compliance with Board policy and amend the policy to add time frames for bid thresholds. In addition, the Board should make purchases based on approved bids.
- 7.2 Periodically solicit proposals for professional services and enter into written agreements for those services. In addition, the Board needs to establish a policy to address the selection of professional services and to ensure that the district is in compliance with state law.

Auditee's Response

- 7.1 *The District agrees and is in compliance with the recommendation.*

The audit findings report the transaction where bids were solicited for the purchase of a replacement district-owned vehicle for use by the Superintendent. The Board awarded the purchase to the low bidder. A few days later, without Board authorization and in violation of Board policy, Dianne Critchlow signed a purchase order with a different vendor for a different vehicle at a price approximately \$9,000 greater than authorized by the Board of Education.

Fox C-6 Board of Education expects staff to properly implement all Board decisions. In this instance Dianne Critchlow did not implement the Board's decision and the CFO, Mark McCutchen, did not bring this failure or refusal to the Board's attention. The Board of Education disapproves of these acts or omissions. Critchlow and McCutchen are no longer employed by Fox C-6 Schools.

The District no longer provides a vehicle to the Superintendent. Dr. Wipke drives his personal vehicle. The District has sold the vehicle purchased by Critchlow.

The District is committed to full compliance with the recommendation.

- 7.2 *The District agrees with the recommendation. During September 2015, the Board of Education adopted MSBA Policy DIE titled "Audits," which provides for a solicitation of independent audit services every three years.*

The District is in compliance and is committed to continued full compliance with the recommendation. Likewise, the District is committed to engaging in a thorough financial audit process.



8. Attendance

The district's attendance system does not limit the time period during which changes can be made and there is no review by district officials to ensure changes made to current school year attendance records are appropriate. The risk of erroneous changes significantly affecting attendance reports submitted to the DESE is increased due to the unlimited time period during which changes can be made along with the lack of review procedures.

District procedures require recording of daily student attendance in the attendance system by each teacher or by a school secretary when a teacher is absent. The attendance secretary generates a report to ensure all attendances have been entered. Changes after that day have to be made by the attendance secretary. However, changes to the daily attendance records can be made anytime for the current school year by the secretary. In addition, the attendance system cannot generate a report of changes made further limiting the district's ability to monitor this information.

Correcting attendance data is necessary to ensure accuracy in the reporting process and any changes must be made before attendance can be certified to the DESE. However, review and approval of all changes is necessary to ensure reliability of the data.

Recommendation

The Board of Education should implement additional controls and procedures to ensure student attendance data is accurately recorded and reported, including restricting the time period when changes can be made without authorization. The Board should also ensure the attendance system is programmed to allow generation of an audit trail report or report of changes.

Auditee's Response

The District agrees student attendance data must be accurately recorded and accurately reported; however, limiting the time frame during which corrections can be applied could run counter to the goal of accuracy. Currently, the software application that tracks student attendance does not allow for locking down the data other than at year end. The District will discuss the audit trail documentation with the software vendor.

The District is committed to full compliance with the intent of the recommendation to create, maintain, and report accurate student attendance data.

9. Capital Assets and Fuel Usage

Controls and procedures over district property and fuel usage need improvement.

9.1 Capital asset policies and procedures

Records and policies to account for district property are not adequate. District policies document procedures for property located at the school buildings; however, other district buildings and departments, facilities, vehicles, and equipment are excluded. As a result, some district assets are



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not accounted for and capital asset records are not complete. Insurance documents listed the value of district equipment, furniture, and vehicles at \$27.2 million at June 30, 2014.

Records

Procedures have not been developed to identify capital asset purchases and dispositions throughout the year. Capital asset additions and dispositions are documented when the annual inventory is performed at select locations throughout the school district. An annual inventory is not performed at some district locations including the administrative building, Rickman auditorium, libraries, and inside the maintenance building. Asset records lack some necessary information such as purchase date, vendor, model or serial number, and disposition information such as the date and method of disposal. District personnel indicated they were unsure if the cost associated with each asset is actual or estimated and the district's vehicle listing did not include the purchase price. Except for buses and other vehicles, the district does not tag or otherwise identify property items as belonging to the district.

Capital asset records and annual inventories are not reviewed by district officials each year to ensure accuracy and completeness or to account for additions and dispositions. Board Policy 3300 details procedures for inventorying, disposing, and tracking asset transfers/movements.

A review of the capital asset inventories noted inconsistencies on how and what items are recorded. For example, the Seckman High School inventory listed business classroom inventory as one total amount for \$150,000, and the Antonio Elementary School recorded 32 wooden chairs with a cost of \$1,000 each. In addition, several items with a cost of less than \$100 are included in Antonio Elementary School's inventory such as mops and extension cords.

Adequate capital asset records are necessary to secure better internal control over district property and provide a basis for determining proper insurance coverage on district property. Capital asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and include a detailed description of the assets such as date of acquisition and cost, descriptions, make and model numbers, and asset identification numbers; the physical location of the assets; and the date and method of disposition of the assets. All capital assets should be identified as district property with a tag or other similar device, and the district should conduct annual physical inventories at all district buildings and facilities and compare the results to the detailed records.

Dispositions

School principals do not adhere to the policies established for the disposition of district property. Board Policy 3250 requires the principal at each school to periodically prepare and submit a list of surplus or obsolete property to the Superintendent. The Superintendent is to carry out Board policy on the sale and disposal of the property. The principals do not



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prepare these lists and submit them to the Superintendent. Also, schools record all dispositions in the transferred out section on their inventory; however, they do not indicate the date or method of disposal or if the item was transferred to another school building.

In October 2012, the district obtained trade-in values for 10 school buses. The Board approved the purchase of buses with the trade-in of 10 district school buses; however, the district sold the buses to 6 different purchasers instead of trading them in. All of the buses were sold for amounts equal to the trade-in values quoted with 2 selling for \$50 and \$800 above the trade-in values. District personnel indicated they provided a list of the buses along with the trade in values to parties interested in purchasing them. The personnel could not provide documentation related to the sale of the buses including the advertisement, bids received, or the selection process for the purchasers. In addition, another bus was substituted for 1 of the original 10 buses on the list; however, an updated trade-in value was not obtained. The sale of the buses occurred in June 2013 without Board approval. District personnel stated they have always sold the buses outright instead of trading them in.

The maintenance department collects items to be scrapped throughout the year and takes them to a vendor for recycling. No record documenting the date, items to be scrapped, location the items were obtained from, or approval of a district official is prepared or maintained. Payments received from the vendor were in cash and retained by the maintenance department and used at department personnel's discretion. The current CFO became aware of this process during a discussion with an employee in the department when he inquired about any cash the department had on hand. A cash count revealed the department had \$4,545 in cash remaining from approximately \$6,000 that department personnel indicated was received for a large amount of chain link fence scrapped in 2012. Department personnel indicated they used the money to pay for department expenses. The district deposited \$4,245 on September 22, 2014, after withholding \$300 to establish a petty cash fund for the department.

The district should ensure established disposition policies are adhered to, and expand the policy to include all district property and that policy require the accounting department to be notified when capital asset items are disposed of or moved to a different location.

9.2 Fuel usage

The district does not reconcile fuel logs to fuel billings. The district maintains 4 locked bulk fuel tanks at 2 school facilities and uses fuel logs showing the date, amount of fuel pumped, mileage, and the bus or vehicle obtaining the fuel. However, no comparison is performed between total gallons pumped, gallons purchased, and gallons on hand. As a result there is less assurance fuel usage is accounted for, invoices for fuel purchased are correct, and misuse would be detected promptly. The district purchased



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approximately \$583,000 and \$683,000 in fuel during the year ended June 30, 2015, and June 30, 2014, respectively.

Procedures for reviewing fuel used and reconciling use to fuel purchases are necessary to ensure the reasonableness and propriety of fuel use and disbursements. The failure to account for fuel use could result in theft and misuse going undetected.

Recommendations

The Board of Education:

- 9.1 Ensure complete and detailed capital asset records are maintained, assets are properly tagged for identification, and annual physical inventories are performed and compared to detailed records. In addition, the Board should follow established policies and procedures when capital asset items are disposed of or moved to a different location.
- 9.2 Ensure a documented periodic reconciliation of fuel purchased to fuel used is performed, with any significant differences investigated.

Auditee's Response

- 9.1 *The District agrees with creating and maintaining appropriate and accurate capital asset records. Accurate capital asset inventory records are necessary to properly track, manage and dispose of inventory eligible items. The District maintains accurate inventory records for its buildings, vehicles, technology devices, and equipment systems relating to HVAC and kitchen equipment, etc. The District does not maintain inventory records for expendable items or non-technological items having an acquisition cost less than \$500 per item.*

The District is not in full agreement with the suggestion that every item of building contents should be inventoried and valued to provide a basis for determining proper insurance coverage on District property. This approach is not required by insurance companies. Typically, the value of a building's contents is determined as a percentage of the building's replacement value. Building replacement values are determined by applying current construction cost factors to the building square footage data.

The District is committed to full compliance with the recommendation as it relates to creating and maintaining accurate capital asset records.

- 9.2 *The District agrees with the recommendation.*



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The District believes its reconciliation process for fuel inventory is proper; nevertheless, these procedures will be reviewed, and if necessary, revised to ensure best practices.

The District is committed to full compliance with the recommendation.

10. Audit

The district lacks an internal audit function. In addition, procurement procedures for selecting the annual independent financial audit firm need improvement.

10.1 Internal audit

During fiscal year 2014, the district had total revenues and expenditures of approximately \$118 million and \$133 million, respectively, and numerous cash collection points and compliance and policy requirements; however, the district does not have an internal audit function or similar alternative arrangement for audits of various processes. If utilized properly, an internal audit function can assist management in performing its duties more efficiently and effectively, and the savings could potentially exceed the cost. In addition, an internal audit function can enhance the district's annual external audit by providing valuable information to those auditors and ensuring the district has strong internal controls and accounting procedures in place. An effective internal audit function could have helped in discovering and/or resolving many of the accounting and procedural control weaknesses, and policy and compliance issues addressed in this report.

10.2 Conflicts of interest and independence

The Board has not requested proposals for services for the district's annual independent financial audit and continues to rehire the former employer of the district's Director of Accounting. The district has utilized this CPA firm for approximately 14 years. On May 21, 2013, the Board appointed the current Director of Accounting. This individual had been the in-charge auditor for the Fox C-6 School District audits performed by the CPA firm for the fiscal years ending June 30, 2010, 2011, and 2012. These actions create the appearance of a potential conflict of interest regarding the choice of audit firms. In addition, auditing the work prepared by the Director of Accounting, a former employee of the CPA firm, creates some uncertainty that the firm was and will be able to complete the audits in an independent and unbiased manner.

The district needs a conflict of interest policy to ensure the hiring of employees from vendors does not cause an actual or appearance of a conflict of interest. Also, Government Auditing Standards Sections 3.02 and 3.14d require auditors to be independent and defines a familiarity threat as the threat that aspects of a relationship with management or personnel of an audited entity, such as a close or long relationship, will lead an auditor to take a position that is not objective.



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Recommendations

The Board of Education:

- 10.1 Consider appointing an internal auditor to conduct audits of district operations and activities.
- 10.2 Adopt a conflict of interest policy to ensure the hiring of employees from vendors do not cause an actual or appearance of a conflict of interest.

Auditee's Response

- 10.1 *The District will take this recommendation under advisement.*
- 10.2 *The District agrees with the recommendation to avoid conflicts of interest.*

The District is committed to actively detecting and avoiding conflicts of interest.

Fox C-6 School District

Organization and Statistical Information

The Fox C-6 School District is located in the northeastern part of Jefferson County and covers approximately 102 square miles.

The district operates 2 senior high schools (grades 9-12), 4 middle schools (3 schools are grades 7-8 and 1 school is grades 6-8), 11 elementary schools (9 schools are grades K-6 and 2 schools are grades K-5), and an early childhood center. Enrollment was 11,681 for the 2013-2014 school year. The district employed 1,416 full- and 175 part-time employees, as well as 567 substitutes (teachers, aides, custodians, cafeteria, nurses, and bus drivers) at June 30, 2014.

The Fox C-6 School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

Board of Education

An elected board acts as the policymaking body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at June 30, 2014, were

John Laughlin, President
David Palmer, Vice -President
Dan Kroupa, Treasurer
Dawn Mullins, Member
Vernon Sullivan, Member
Cheryl Hermann, Member
Steve Holloway, Member

Superintendent

The district's superintendent at June 30, 2014, was Dr. Dianne Critchlow. Her actual compensation for the 2013-2014 school year totaled \$274,588, which was comprised of a base salary of \$260,598, \$6,640 for sick days, and a \$7,350 annuity. She was also provided a district vehicle. The superintendent's compensation is established by the Board of Education.

The Board of Education voted to place Dr. Critchlow on administrative leave effective June 4, 2014, and appointed Tim Crutchley as interim superintendent through the 2014-2015 school year. Dr. James Wipke became the district's superintendent on July 1, 2015.



Fox School District
Organization and Statistical Information

Key Personnel Key
Personnel

The following table lists the district's other key administrators and personnel as of June 30, 2014.

Other Personnel	Title
Andy Arbeitman	Assistant Superintendent of Elementary Education (1)
Dan Baker	Assistant Superintendent of Instruction (2)
Todd Scott	Assistant Superintendent of Human Resources (3)
Dr. Lorenzo Rizzi	Assistant Superintendent of High Schools (4)
Mark McCutchen	Assistant Superintendent of Business and Financial Services (5)
Timothy Crutchley	Assistant Superintendent of Middle Schools and Facilities (6)
Jamie Critchlow	Director of At-Risk Services (7)
Aaron Moore	Director of Technology
Luke Heitert	Director of Data and Student Information
Kristin Pelster	Director of Professional Development (8)
Kelly Nash	Director of Food Services (9)
Jeff Cramer	Director of Facilities
Kevin Cheek	Director of Student Transportation (10)
Matt Norrid	Director of Accounting
Kerry Clack	Payroll Supervisor (11)
Deborah Davis	Administrative Assistant to the Superintendent (12)

(1) Left the district on June 30, 2015, and was replaced by Randy Gilman.

(2) Became principal of Seckman Elementary School on January 1, 2015, and was replaced by Declan FitzPatrick. The title changed for Declan FitzPatrick to Assistant Superintendent of Curriculum and Instruction.

(3) Became principal of Seckman High School on July 1, 2015, and was replaced by Dr. Kelly Bracht.

(4) Became the Assistant Superintendent of Secondary Schools on July 1, 2015.

(5) Left the district on June 30, 2014, and was replaced by John Brazeal. The title changed for John Brazeal to CFO.

(6) Left the district on June 30, 2014, and middle schools duties were reassigned to Dr. Lorenzo Rizzi, and the facilities duties were reassigned to John Brazeal.

(7) Left the district on June 10, 2014, and was replaced by Jeremy Donald for the next fiscal year starting July 1, 2014.

(8) Left the district on June 30, 2015, and was replaced by Amy Zelinski.

(9) Left the district on January 31, 2015, and was replaced by Gail Jones.

(10) Left the district on October 31, 2014, and was replaced by John Byrne.

(11) Left the district on June 30, 2015, and was replaced by Sherry Caldwell.

(12) Left the district on June 30, 2015, and was replaced by Sandy Menchella.

Financial Activity

Appendix A is a summary of the district's financial activity for the year ended June 30, 2014.

Appendix A

Fox C-6 School District
Statement of Revenues Collected, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2014

	General (Incidental) Fund	Special Revenue (Teachers') Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES COLLECTED					
Local	\$ 41,802,720	10,003,157	2,771,291	3,046,888	57,624,056
County	2,129,309	306,836	230,109	84,667	2,750,921
State	4,337,592	45,270,467	0	912,612	50,520,671
Federal	5,102,705	2,071,489	0	11,501	7,185,695
TOTAL REVENUES COLLECTED	53,372,326	57,651,949	3,001,400	4,055,668	118,081,343
EXPENDITURES					
Instruction	11,562,091	66,216,827	0	1,278,817	79,057,735
Attendance	59,982	0	0	0	59,982
Guidance	0	1,896,496	0	0	1,896,496
Health, psych, speech and audio	1,452,816	47,288	0	0	1,500,104
Improvement of instruction	360,232	28,060	0	0	388,292
Professional development	427,826	0	0	0	427,826
Media services	102,194	1,396,980	0	0	1,499,174
Board of education services	155,904	0	0	0	155,904
Executive administration	2,447,498	1,463,867	0	107,414	4,018,779
Building level administration	1,855,926	6,376,695	0	0	8,232,621
Operation of plant	9,675,945	0	0	167,159	9,843,104
Security services	243,601	0	0	42,947	286,548
Pupil transportation	5,182,158	0	0	0	5,182,158
Food service	4,237,124	0	0	143,696	4,380,820
Community services	1,415,299	68,175	0	0	1,483,474
Capital outlay	0	0	0	7,908,042	7,908,042
Debt Service:					
Principal	0	0	1,350,000	2,898,340	4,248,340
Interest and charges	0	0	1,541,219	1,360,163	2,901,382
TOTAL EXPENDITURES	39,178,596	77,494,388	2,891,219	13,906,578	133,470,781
EXCESS (DEFICIT) OF REVENUES COLLECTED OVER EXPENDITURES	14,193,730	(19,842,439)	110,181	(9,850,910)	(15,389,438)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0	19,842,439	0	0	19,842,439
Operating transfers (out)	(19,842,439)	0	0	0	(19,842,439)
Net insurance recovery	1,620	0	0	0	1,620
Sale of other property	0	0	0	1,044	1,044
Refunding of bonds	0	0	3,000	0	3,000
TOTAL OTHER FINANCING SOURCES (USES)	(19,840,819)	19,842,439	3,000	1,044	5,664
EXCESS (DEFICIT) OF REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(5,647,089)	0	113,181	(9,849,866)	(15,383,774)
FUND BALANCE, July 1, 2013	21,367,474	0	4,715,267	12,963,206	39,045,947
FUND BALANCE, June 30, 2014	\$ 15,720,385	0	4,828,448	3,113,340	23,662,173

Source: District's independent CPA audit report for the year ended June 30, 2014. Information presented on a modified cash basis.

Appendix B

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation

Summary of Improper and Questionable Purchases and Transactions:

	Amount	
Questionable Purchases (sum of A from pages 67, 78, and 83)	\$ 56,709.03	A
No Receipt/Invoice or Insufficient Receipt/Invoice (sum of B from pages 69, 79, and 84)	8,876.79	B
Gift Cards and Gifts (sum of C from pages 70 and 80)	8,872.54	C
Over Policy Hotel (sum of D from pages 70 and 81)	14,482.23	D
Over Policy Airline (sum of E from pages 70 and 82)	7,245.40	E
Over Policy Gratuity (sum of F from pages 71, 82, and 84)	357.73	F
Over Policy In Town Meals (sum of G from pages 72 and 84)	198.81	G
Total	\$ 96,742.53	

Legend:

- (1) Along with other problems noted, this transaction includes a gratuity amount that exceeded district policy. These excess gratuities total \$352.27.
 - (2) Attributed these transactions totaling \$27,237 to Dr. Critchlow, Superintendent, based on review of records (notations on charge slips, confirmation emails, etc).
 - (3) This amount was paid back to the district by the Missouri School Administrators PAC in August 2014.
 - (4) Transaction is listed multiple times in appendix due to more than one concern. The amount indicated is applicable to problem noted.
 - (5) Skidding tongs, recovery strap, and tow chain were returned to the district.
 - (6) Amount was paid back to the school by Dr. Critchlow, Superintendent, per her records.
- * Documentation supporting these gift card purchases includes notations that the gift cards were for needy families, as discussed in MAR finding number 2.1.

District Visa credit card number 4736 issued to Dr. Dianne Critchlow

Transaction				
Date	Vendor	Item/Purpose		Amount
6/5/2011	Target	Stopwatch, balloons, and 3 clipboards	\$	53.56
6/7/2011	Dick's Sporting Goods	Dual flash camera		157.15
6/16/2011	Panera Bread	Food		10.33
7/18/2011	Panera Bread	Food		89.24
7/19/2011	Pomodoro's	Food		123.84
8/8/2011	Hobby Lobby	Frames and accents		76.86
8/9/2011	Hobby Lobby	Frames and accents		192.82
8/12/2011	Walmart	Power drinks and snacks		158.55
8/14/2011	Jo-Ann's	Banners, stickers, and cutout		163.96
8/15/2011	Office Depot	5 USB drives		51.36

Appendix B

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation

Transaction				
Date	Vendor	Item/Purpose	Amount	
8/27/2011	Panera Bread	Food	68.27	
9/2/2011	Best Buy	Flashlight	36.35	
9/7/2011	Panera Bread	Food	33.82	
9/21/2011	Pomodoro's	Food	92.20	
9/30/2011	Subway	Food	40.90	
9/30/2011	Walgreens	Candy	53.14	
10/6/2011	Panera Bread	Food	17.24	
10/7/2011	Etcetera Flowers & Gifts	Unknown	75.10	
10/20/2011	Jewel Box Florist	Plant and football balloon	75.00	
10/25/2011	Walmart	Note pad, candy, card reader, and garbage bags	76.57	
10/26/2011	Cecil Whittaker's Pizza	Food	211.76	
11/2/2011	Panera Bread	Food	53.20	
11/10/2011	Bravo West County Italian	Food	63.83	(1)
11/15/2011	Walmart	3 Phone cases, 4 screen covers, batteries, charges, and air freshener	194.97	
11/21/2011	Panera Bread	Food	33.41	
11/22/2011	Dierbergs	2 Flower rose bunches	32.78	
11/22/2011	Dollar Tree	6 Balloon weights	6.56	
11/28/2011	Office Depot	Copy paper	76.52	
12/13/2011	Target	Nikon camera and Lexmark SD card	674.90	
12/15/2011	Target	Nikon camera, USB, and batteries	146.15	
12/26/2011	Exxon Mobil	Fuel	38.64	
1/5/2012	Subway	Food	14.90	
1/24/2012	Wendy's	Food	18.00	
1/28/2012	Target	Nikon camera	270.82	
2/2/2012	Panera Bread	Food	13.18	
2/10/2012	Panera Bread	Food	18.19	
3/1/2012	AT&T	iPhone 4	349.99	
3/1/2012	Chick-fil-A	Food	15.28	
3/7/2012	Walgreens	Candy and cards	43.05	
3/20/2012	Chick-fil-A	Food	59.58	
3/24/2012	Subway	Food	54.72	

Appendix B

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation

Transaction			
Date	Vendor	Item/Purpose	Amount
3/25/2012	Walmart	Power kit and 2 screen protectors	54.46
4/17/2012	Lowe's	Peat moss, bi metal blades, and hacksaw	59.51
4/17/2012	Walgreens	Photos	106.94
4/18/2012	Terrazza Grill	Food	34.20 (1)
4/24/2012	Forstell Taco Bell	Food	14.34
5/4/2012	Tequila Mexican	Food	13.11 (1)
5/9/2012	Panera Bread	Food	19.67
5/16/2012	Walmart	Gatorade, water, disposable plates and utensils, chips, and condiments	127.96
5/19/2012	Applebee's	Food	61.80 (1)
5/19/2012	Northside	Fuel	50.00
5/31/2012	Chick-fil-A	Food	25.01
6/13/2012	Double Deuce Saloon	Food	129.53 (1)
6/27/2012	Circle K	Convenience store items	16.73
7/3/2012	Boomland	Gas	58.74
7/11/2012	Frankie Gianino's	Food	88.91
7/12/2012	Marriott	NFL football camp	53.97 (1)
7/12/2012	Subway	Food	15.07
7/12/2012	Food Shop	Fuel	55.10
7/13/2012	Burger King	Food	16.72
7/13/2012	Weber's Front Row Grill	Food	161.25 (1)
7/14/2012	Buca di Beppo Indianapolis	Food	142.14
7/14/2012	Marriott	Parking	34.00
7/15/2012	Cloverdale BP	Fuel	67.18
7/16/2012	Marriott	Parking	68.00
7/16/2012	Marriott	Parking	68.00
7/19/2012	Walmart	Gatorade and cups	57.25
8/7/2012	Chick-fil-A	Food	14.62
8/13/2012	New China	Food	24.60
8/31/2012	Walmart	15 Rain ponchos	53.80
9/7/2012	Terrazza Grill	Food	27.85 (1)
9/14/2012	Panera Bread	Food	33.89

Appendix B

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation

Transaction			
Date	Vendor	Item/Purpose	Amount
9/28/2012	Walgreens	Water and candy	45.27
10/2/2012	Rizzo's	Food	31.76 (1)
10/2/2012	Target	Batteries, phone case, and screen cover	71.44
10/9/2012	54th Street Bar and Grill	Food	52.31
10/9/2012	Chick-fil-A	Food	18.02
10/18/2012	St. Anthony's Gift Shop	Plants	32.00
10/21/2012	Quick Trip	Fuel	58.88
10/23/2012	Chick-fil-A	Food	39.94
10/30/2012	Panera Bread	Food	21.73
11/5/2012	Panera Bread	Food	92.56
11/8/2012	Hobby Lobby	Frames and crafts	65.89
11/9/2012	Walmart	Food	32.20
11/14/2012	Burger King	Food	14.63
11/14/2012	Shelby's Bar And Grill	Food	67.73 (1)
11/15/2012	Grubsteak Restaurant	Food	82.36 (1)
11/19/2012	Dierbergs	Flowers	37.14
11/19/2012	Enterprise Rent-A-Car	Rental charges and fees for one week	397.54
12/2/2012	Target	Food	26.79
12/3/2012	Subway	Food	22.10
12/21/2012	Five Guys	Food	32.73
12/25/2012	Shell Oil	Fuel	61.67
12/27/2012	Target	Food, home items, and stationery	195.04
1/10/2013	Target	Phone charger and 2 cards	25.21
1/22/2013	Dierbergs	Juice, coffee, and donuts	35.04
1/24/2013	El Patron	Food	57.20 (1)
1/24/2013	Walgreens	Candy and drinks	51.04
1/25/2013	JJ Twigs Pizza	Food	45.48 (1)
2/1/2013	Enterprise Rent-A-Car	Car rental fees	48.00
2/14/2013	Panera Bread	Food	40.00
2/16/2013	Fast N Friendly	Fuel	56.18
2/17/2013	Eagle Stop	Fuel	35.14

Appendix B

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation

Transaction Date	Vendor	Item/Purpose	Amount
2/26/2013	Chick-fil-A	Food	54.53
3/8/2013	Chick-fil-A	Food	14.77
3/10/2013	Amazon	11 Phone cases, sport band for cell phone, 2 stylus pens for phone, and screen protector	218.71
3/13/2013	Amazon	2 Desk pad/ desk protectors	128.38
4/6/2013	KFC	Food	114.32
4/9/2013	Lee's Famous Chicken	Food	22.07
4/12/2013	Applebee's	Food	58.23 (1)
4/12/2013	C Barn	Fuel	80.84
4/18/2013	Panera Bread	Food	90.75
4/19/2013	Frankie Gianino's	Food	36.71 (1)
4/22/2013	Walgreens	4 Cards and gift wrap	19.98
4/23/2013	H. Toads	Food	27.73 (1)
5/2/2013	Arby's	Food	43.17
5/7/2013	Walgreens	4 Greeting Cards	15.13
5/9/2013	Walmart	Drinks and candy	8.83
5/13/2013	Panda Express	Food	44.59
5/16/2013	Walmart	Food, drinks, and table covers	147.89
5/21/2013	Walmart	Kitchen utensils, lighters, one use camera, 4 mugs, sunscreen, conditioner, and shampoo	116.90
6/4/2013	Arby's	Food	44.42
6/11/2013	Drunken Noodles	Food	95.24 (1)
6/12/2013	Target	Drinks	58.06
6/22/2013	Alamo Rent a Car	Time and distance \$95 per day and car class change charge for Marzano Conference	239.00
6/22/2013	MCO Enterprises	Food	18.22
6/25/2013	Lee's Famous Chicken	Food	12.66
6/26/2013	Drunken Noodles	Food	40.89 (1)
6/27/2013	Walmart	2 Disposable cameras and drinks	63.45
7/17/2013	Garvey's Grill	Food	40.09 (1)
7/19/2013	Pomodoro's	Food	103.80
7/20/2013	Arby's	Food	36.35

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Transaction Date	Vendor	Item/Purpose	Amount
7/20/2013	Cranes County Store	Fuel	57.42
7/28/2013	Romano's Macaroni Grill	Food	42.20 (1)
7/29/2013	Cheddar's Restaurant	Food	42.53 (1)
8/6/2013	Office Depot	iPad case and travel phone charger	269.29
8/7/2013	Drunken Noodles	Food	24.31
8/8/2013	Ace Hardware	56 Fasteners, blank key, and screws	42.14
8/11/2013	Office Depot	Notebook, binder ring, 4 portfolios, cable, pencil box, pens, and DVD-R spindle	78.28
8/20/2013	Chick-fil-A	Food	24.10
9/6/2013	McDonald's	Food	36.54
9/11/2013	Office Depot	Calculator	16.39
9/12/2013	Chick-fil-A	Food	24.27
9/12/2013	Walmart	Cups, foil, freezer bags, chips, plates, and napkins	73.37
9/17/2013	Taco Bell	Food	19.16
9/19/2013	Walmart	Balloon, candy, and cookies	106.94
9/21/2013	Shell Oil	Fuel	40.40
9/23/2013	Dierbergs	Donuts and milk	37.91
9/25/2013	Missouri School Administrators PA	Donation	240.00 (3)
10/2/2013	Walmart	Charcoal, lighter, lighter fluid, kitchen utensils, napkins, table cloths, plates, and forks	132.00
10/14/2013	Wireless Freedom	Replace glass and LCD in phone	422.82
10/15/2013	Panera Bread	Food	87.37
10/16/2013	Walmart	Apples, storage bag, candy, spoon, garlic press, disposable cutlery, cups, paper towels, jerky, and drinks	195.98
10/19/2013	Casey's	Fuel	78.13
10/19/2013	Taco Bell	Food	13.40
10/19/2013	TGI Friday's	Food	35.50 (1)
10/21/2013	Walmart	2 Phone sleeves, phone accessories, wipes, earbuds, and screen protector	184.90
10/31/2013	Drunken Noodles	Food	40.92 (1)
10/31/2013	Panera Bread	Food	127.26
11/6/2013	Chick-fil-A	Food	23.35
11/11/2013	Walgreens	Greeting cards and water	7.09
11/11/2013	Walmart	Food	106.18

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Transaction Date	Vendor	Item/Purpose	Amount
11/12/2013	McDonald's	Food	30.98
11/14/2013	54th Street Bar and Grill	Food	70.44 (1)
11/14/2013	Pomodoro's	Food party trays	98.98
11/17/2013	Circle K	Fuel	62.71
11/20/2013	Panera Bread	Food	43.44
11/30/2013	Circle K	Fuel	54.50
11/30/2013	Romano's Macaroni Grill	Food	125.62 (1)
12/1/2013	Dairy Queen	Food	11.74
12/1/2013	Pick A Dilly	Fuel	35.30
12/10/2013	DiGregorios Italian Market	Food	116.23
12/11/2013	Walmart	Christmas wrap, gift boxes, and batteries	101.82
12/19/2013	Chick-fil-A	Food	17.81
12/19/2013	Walmart	Food	89.62
1/5/2014	Radio Shack	Charger	24.71
1/22/2014	Disney Store	40 Bags	43.36
1/22/2014	KFC	Food	56.19
2/5/2014	Burger King	Food	14.14
2/8/2014	MO Metrix Test Prep	Flash card study system	43.98
2/9/2014	Shell Oil	Fuel	47.61
2/10/2014	Walmart	Candy, calculator, turkey jerky, and valentine cards	238.07
2/15/2014	Avis Rent a Car	Car rental	332.20
2/15/2014	Barlines Omni Nashville	Food	62.71 (1)
2/15/2014	Checker Cab Nashville	Cab fare	20.00
2/16/2014	Biruk Yimer	Cab fare	35.00 (1)
2/16/2014	Omni Nashville	Food	7.50
2/16/2014	Shell Oil	Fuel	56.16
2/16/2014	Super Park Lot A	Parking	84.00
2/16/2014	Tootsies Nashville Airport	Food	62.00 (1)
2/24/2014	Panera Bread	Food	33.83
3/7/2014	Terrazza Grill	Food	21.65 (1)
3/25/2014	Panera Bread	Food	15.92

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Transaction			
Date	Vendor	Item/Purpose	Amount
4/3/2014	Hobby Lobby	Paper crafting	89.14
4/5/2014	McDonald's	Food	11.79
4/11/2014	Walmart	Drinks, cups, and napkins	152.00
4/14/2014	Panera Bread	Food	31.10
4/23/2014	Panera Bread	Food	32.30
4/30/2014	Panera Bread	Food	53.44
5/7/2014	Custom Cellular	iPhone 5, phone case, and iPad air screen	70.36
5/8/2014	Walmart	Drinks, BBQ fixings, chips, and cookies	187.92
5/9/2014	Chick-fil-A	Food	71.62
5/9/2014	Custom Cellular	2 iPhone clear coat and iPad air screen	64.98
5/20/2014	Walmart	Water, plates, softballs, sunscreen, insect repellent, and bag	236.64
5/27/2014	Panera Bread	Food	22.69
5/29/2014	Panera Bread	Food	69.00
		Subtotal Questionable Purchases	15,461.12 A
6/9/2011	China Wok	Food	24.20
7/20/2011	McDonald's	Food	31.56
7/22/2011	Shell Oil	Fuel or convenience store items	15.06
7/28/2011	Fortels Pizza Den	Food	55.80
7/30/2011	Clark	Fuel	42.74
8/12/2011	Detour Grill & Bar	Food	248.24 (1)
10/13/2011	Exxon Mobil	Fuel	53.20
11/27/2011	Break Time	Fuel or convenience store items	50.79
2/7/2012	Capital Plaza Hotel	Park Place Restaurant	37.21
2/7/2012	El Maguey	Food	21.43
2/8/2012	Double Deuce Saloon	Food	148.70 (1)
2/13/2012	Garvey's Grill	Food	37.46 (1)
2/19/2012	Four Seasons Hotels	Unknown	7.58
3/14/2012	Double Deuce Saloon	Food	147.99 (1)
3/21/2012	Shoney's	Food	26.88
4/4/2012	Marshalls	Unknown	24.56
5/20/2012	Arnold Plaza	Unknown	53.57

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Transaction				
Date	Vendor	Item/Purpose	Amount	
6/27/2012	El Paisano Mexican Restaurant	Food	48.55	(1)
6/27/2012	Hotel.com	NFL football camp	327.34	
6/28/2012	Hotel.com	NFL football camp	327.34	
7/8/2012	Hotel.com	NFL football camp	350.79	
7/14/2012	Puerto Vallarta	Unknown	69.20	
7/15/2012	Marriott	Coffee	25.12	
9/26/2012	El Paisano Mexican Restaurant	Food	36.88	(1)
10/14/2012	Edible Arrangements	Unknown	83.51	
10/15/2012	McDonald's	Food	12.12	
10/18/2012	Southwest Airlines	Unknown	10.00	
10/18/2012	Southwest Airlines	Unknown	10.00	
10/18/2012	Southwest Airlines	Unknown	10.00	
10/18/2012	Southwest Airlines	Unknown	10.00	
10/31/2012	Detour Grill & Bar	Food	28.74	(1)
12/7/2012	Chick-fil-A	Food	30.29	
12/19/2012	Target	Unknown	101.23	
2/1/2013	Shell Oil	Fuel	54.08	
2/13/2013	Weber's Front Row Grill	Food	133.07	
2/26/2013	Amazon	Unknown	134.15	
3/8/2013	Cecil Whittaker's Pizza	Food	96.91	
3/13/2013	Panera Bread	Food	46.62	
3/15/2013	Shell Oil	Fuel	76.27	
3/20/2013	Bob Evan's	Food	51.44	(1)
4/22/2013	JJ Twigs Pizza	Food	41.19	
4/22/2013	Circle K	Fuel or convenience store items	10.00	
4/24/2013	Bootleggers	Food	109.83	(1)
4/26/2013	Subway	Food	13.79	
5/22/2013	Terrazza Grill	Food	41.70	(1)
5/31/2013	Shell Oil	Fuel	59.03	
6/18/2013	Margaritaville	Food during Marzano Conference	362.04	
7/3/2013	Shell Oil	Fuel	51.68	

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Transaction	Date	Vendor	Item/Purpose	Amount
	7/9/2013	Shell Oil	Fuel	58.84
	7/11/2013	Shell Oil	Fuel	57.41
	7/22/2013	Drunken Noodles	Food	61.75 (1)
	7/27/2013	Circle K	Fuel	10.00
	8/21/2013	Circle K	Fuel or convenience store items	10.00
	8/22/2013	Drunken Noodles	Food	23.47
	9/7/2013	Circle K	Fuel or convenience store items	10.00
	9/22/2013	Shell Oil	Fuel	82.69
	9/27/2013	Chick-fil-A	Food	14.07
	10/7/2013	Cecil Whittaker's Pizza	Food	99.98
	10/11/2013	Detour Grill & Bar	Food	42.15 (1)
	10/13/2013	Shell Oil	Fuel	49.96
	10/17/2013	Shell Oil	Fuel	64.83
	10/21/2013	Arby's	Food	25.42
	10/22/2013	Alexandria Unico	Unknown	24.27
	10/22/2013	RFD	Unknown	46.90
	11/9/2013	Wendy's	Food	20.87
	11/18/2013	Drunken Noodles	Food	26.77 (1)
	11/29/2013	Circle K	Fuel	28.45
	12/3/2013	Circle K	Fuel	10.00
	12/21/2013	Express Mart	Fuel	50.12
	2/9/2014	Evaluation Systems Test Fee	Unknown	29.95
	4/17/2014	Shell Oil	Fuel	45.37
	5/15/2014	China King	Food	34.09
	5/21/2014	Express Mart	Fuel	71.12
	5/29/2014	Sunny Street Café	Food	21.52
			Subtotal No Receipt or No Detailed Charge Slip	4,809.88 B
	8/10/2011	Panera Bread	15 Gift cards	200.00
	12/13/2011	Walgreens	4 Chick-fil-A gift cards, Applebee's gift card, 3 Buffalo Wild Wings gift cards, Subway gift card, and 2 Burger King gift cards - all for needy families *	204.01
	6/4/2012	Q Nails	Gift card	100.00

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Transaction Date	Vendor	Item/Purpose	Amount
11/9/2012	Walmart	3 Walmart gift cards, 4 Buffalo Wild Wings gift cards, preloaded MasterCard, 4 Burger King gift cards, 2 Taco Bell gift cards, and 3 Subway gift cards - all for needy families *	620.44
12/2/2012	Target	4 Entertainment cards - all for needy families *	100.00
5/7/2013	Walgreens	Champs Sports gift card, 4 Macy's gift cards, and 4 Bass Pro gift cards	500.00
5/21/2013	Walmart	4 Subway gift cards and 2 Taco Bell gift cards	90.00
11/11/2013	Walgreens	5 Brinker gift cards	125.00
11/26/2013	Walgreens	Red Lobster gift card, 2 Macy's gift cards, 4 Buffalo Wild Wings gift cards, 2 Best Buy gift cards, and 1 Subway gift card - all for needy families *	330.00
2/10/2014	Walmart	2 Subway gift cards, 2 iTunes gift cards, 2 Buffalo Wild Wings gift cards, and 10 Walmart gift cards - all for needy families *	1,180.00
		Subtotal Gifts Cards and Gifts	3,449.45 C
10/3/2011	Marco Beach Ocean Resort	2 Nights at \$245 in Marco Island, FL	270.00
2/19/2012	Four Seasons Hotels	4 Nights at \$185 in Houston, TX	300.00
11/19/2012	Marriott	5 Nights at \$258 in Denver, CO	740.00
		Subtotal Over Policy Hotel	1,310.00 D
10/17/2012	Southwest Airlines	Round trip to Denver, CO	355.60
10/17/2012	Southwest Airlines	Round trip to Denver, CO	355.60
		Subtotal Over Policy Airline	711.20 E
10/12/2011	Double Deuce Saloon	Gratuity	6.71
10/12/2011	Double Deuce Saloon	Gratuity	0.42
1/18/2012	Double Deuce Saloon	Gratuity	7.19
2/6/2012	Spectators	Gratuity	2.86
2/18/2012	Guadalajara Del Centro	Gratuity	5.62
3/29/2012	Double Deuce Saloon	Gratuity	14.42
4/11/2012	Double Deuce Saloon	Gratuity	11.24
6/13/2012	Double Deuce Saloon	Gratuity	7.82
10/8/2012	Romano's Macaroni Grill	Gratuity	3.10 (4)
11/2/2012	Bravo West County Italian	Gratuity	2.36 (4)
1/9/2013	Weber's Front Row Grill	Gratuity	13.64
1/18/2013	Terrazza Grill	Gratuity	5.59 (4)

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Transaction Date	Vendor	Item/Purpose	Amount
1/29/2013	Nicoletti Inc.	Gratuity	3.11 (4)
3/14/2013	Terrazza Grill	Gratuity	6.50 (4)
3/14/2013	Terrazza Grill	Gratuity	6.82 (4)
4/10/2013	Weber's Front Row Grill	Gratuity	8.07
4/25/2013	H. Toads	Gratuity	9.61
5/8/2013	Weber's Front Row Grill	Gratuity	21.74
8/5/2013	54th Street Bar and Grill	Gratuity	2.64 (4)
8/6/2013	Terrazza Grill	Gratuity	4.75 (4)
8/12/2013	Drunken Noodles	Gratuity	5.05 (4)
8/21/2013	Weber's Front Row Grill	Gratuity	10.23 (4)
9/30/2013	Weber's Front Row Grill	Gratuity	14.98 (4)
10/3/2013	Terrazza Grill	Gratuity	4.44
10/4/2013	Frankie Gianino's	Gratuity	13.48 (4)
10/22/2013	Legal Sea Foods	Gratuity	7.26
10/23/2013	Harry's	Gratuity	6.65
10/24/2013	Chart House	Gratuity	14.67
10/25/2013	Fado Irish Pub	Gratuity	10.40
12/12/2013	Weber's Front Row Grill	Gratuity	15.68
1/10/2014	Applebee's	Gratuity	1.98 (4)
1/15/2014	Weber's Front Row Grill	Gratuity	9.02
1/21/2014	Capital Plaza Fountain	Gratuity	2.75
2/11/2014	Baileys Sports Grille	Gratuity	11.23
2/11/2014	Chili's Lambert Airport	Gratuity	6.23
2/11/2014	Tenn Cab Taxi 39	Gratuity	1.25
2/12/2014	Swing Door	Gratuity	3.53
3/10/2014	St. Louis Sports Zone	Gratuity	17.53
		Subtotal Over Policy Gratuity	300.57 F
10/8/2012	Romano's Macaroni Grill	Food	7.00 (4)
11/2/2012	Bravo West County Italian	Food	10.38 (4)
1/18/2013	Terrazza Grill	Food	2.90 (4)
1/29/2013	Nicoletti Inc.	Food	6.47 (4)

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Transaction Date	Vendor	Item/Purpose	Amount
3/14/2013	Terrazza Grill	Food	27.85 (4)
3/14/2013	Terrazza Grill	Food	1.89 (4)
8/5/2013	54th Street Bar and Grill	Food	8.87 (4)
8/6/2013	Terrazza Grill	Food	1.91 (4)
8/12/2013	Drunken Noodles	Food	8.70 (4)
8/21/2013	Weber's Front Row Grill	Food	8.31 (4)
9/30/2013	Weber's Front Row Grill	Food	9.84 (4)
10/4/2013	Frankie Gianino's	Food	37.99 (4)
1/10/2014	Applebee's	Food	35.32 (4)
5/6/2014	Panera Bread	Food	5.54
		Subtotal Over Policy In Town Meals	<u>172.97</u> G
		Total for Credit Card Number 4736	<u>26,215.19</u>

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Transaction Date	Vendor	Item/Purpose	Amount
<u>District Discover credit card number 4343 issued to Superintendent's Administrative Assistant</u>			
5/24/2011	Amazon	USB camera	69.00
6/6/2011	Office Depot	Letters block	16.59
6/7/2011	Golf Discount of St. Louis	Various golf items and 4 gift certificates	1,594.19 (2)
6/8/2011	Walmart	3 Golf balls	32.35 (2)
6/14/2011	Domino's Pizza	Food	261.99 (2)
7/8/2011	AT&T	Data	25.00
8/3/2011	AT&T	Data	25.00 (2)
8/9/2011	AT&T	Data	25.00
8/16/2011	Creve Coeur Camera	Cameras, sun pack film, battery, SD cards, and flash	1,521.89 (2)
9/8/2011	AT&T	Data	25.00
9/9/2011	AT&T	Data	25.00 (2)
10/2/2011	Lodge of the Four Seasons	Food	57.20 (2)
10/10/2011	AT&T	Data	25.00
11/10/2011	AT&T	Data	25.00
11/15/2011	AT&T	Data	25.00 (2)
12/23/2011	AT&T	Data	25.00
1/15/2012	AT&T	Data	25.00 (2)
1/23/2012	AT&T	Data	25.00
1/28/2012	Best Buy	2 Keyboard cases for iPad	159.98
2/22/2012	AT&T	Data	25.00
3/6/2012	Office Max	2 SD cards	59.98 (2)
3/23/2012	AT&T	Data	25.00
4/27/2012	Jo-Ann's	Decorations	77.59
4/27/2012	Party City	Party decorations	91.66
4/27/2012	Sam's Club	Paper, plates, and juice	176.02
4/28/2012	Carnival & Party	Party decorations	24.96
4/28/2012	Walmart	Food	41.48
5/10/2012	AT&T	iPhone 4S	634.94 (2)
5/30/2012	Elephant Bar	Food	37.79 (1), (2)

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Transaction Date	Vendor	Item/Purpose	Amount
5/31/2012	AT&T	Sim card	10.82 (2)
6/4/2012	Walmart	Screen protector, 2 phone cases, golf balls, backpack, candy, 4 conditioners, shampoo, 22" TV, camera, and 8G iPod touch	908.44 (2)
6/7/2012	Dick's Sporting Goods	Clothing, golf items, and other items	1,603.19 (2)
7/16/2012	AT&T	Clear coat iPhone, clear coat Galaxy Smartphone, and phone case	79.97 (2)
8/14/2012	Trotter Photo	2 Photo booths	800.00
11/7/2012	Walgreens	Sympathy card	4.00
11/16/2012	Sam's Club	Food, mugs, paper ware, 4 USB, and card	296.42
12/1/2012	Lee's Famous Chicken	Tea	26.47
12/18/2012	Apple Store	iPad, pin adapter, and iPad keyboard	377.95
1/11/2013	Learning Sciences	Marzano Conference	4,169.00 (2)
4/26/2013	Dollar Tree	Decorations	106.86
4/26/2013	Sam's Club	Food	331.55
4/29/2013	Carnival & Party	Party supplies	61.35
4/29/2013	Walmart	Paper products	117.45
4/30/2013	The Pasta House	Food	96.80 (1)
5/1/2013	Red Lobster	Food	43.27 (1)
5/6/2013	Fran Ann Engravings	Chrome paperweights and engraved watches	157.50
5/6/2013	Joey B's	Food	159.29 (1)
5/6/2013	Things Remembered	Personalized watch and diver watch	265.00
5/10/2013	Dollar Tree	Wedding favor box, wedding garland, and other items	20.59
5/10/2013	Things Remembered	8 Personalized pens	207.92
5/10/2013	Party City	Decorations	121.61
5/11/2013	Dollar Tree	Wedding favor box and decorations	22.96
5/12/2013	Sam's Club	Food	68.98
5/16/2013	Frankie Gianino's	Food	31.73 (1)
5/16/2013	Walmart	Food	22.30
5/30/2013	Blue Owl	Food	293.04 (1), (2)
6/12/2013	Hard Rock Hotel Orlando	Valet parking for 4 Nights	100.00
6/12/2013	Romano's Macaroni Grill	Food	49.97 (1)
7/11/2013	Panera Bread	Food	36.77

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Transaction Date	Vendor	Item/Purpose	Amount
7/14/2013	H. Toads	Food	97.64 (1)
7/17/2013	Applebee's	Food	60.27 (1)
7/17/2013	Camden on the Lake	1 Extra night	136.25
7/22/2013	Ellisville Photo Ticket	Red light camera ticket	104.00 (2), (6)
8/7/2013	Amazon	1 Colorful rhinestone lanyard with vertical rhinestone lined ID badge holders and other items	173.45 (2)
8/8/2013	Amazon	Phone case and charger	19.04 (2)
8/8/2013	Amazon	ID badge holders, wall charger, phone cases, and lanyard keychain card holders	144.58 (2)
8/13/2013	Hobby Lobby	Paper crafting	8.99
8/16/2013	Hobby Lobby	7 Paper crafting	43.13
8/16/2013	The Dough Depot	Lunch	121.46 (1)
8/27/2013	Fran Ann Engravings	Engraved trophy	106.00
8/29/2013	Crown Trophy	Trophy	175.00
8/30/2013	Applebee's	Food	21.91 (1)
8/30/2013	Qdoba Mexican Grill	Naked burrito bar 50, lettuce, tortillas, and queso	606.89 (2)
9/2/2013	Amazon	Paperback book	73.99 (2)
9/24/2013	Amazon	19 ASUS tablets and 5 Kindle Fires	3,230.56 (2)
9/25/2013	Amazon	20 Sweatshirts	730.54
10/4/2013	Domenico's	Food	36.53
10/8/2013	Southwest Airlines	Flights	147.30
10/16/2013	Panera Bread	Food	152.23
10/21/2013	Amazon	Backpack	31.23 (2)
10/22/2013	Panera Bread	Food	25.25
10/25/2013	Hobby Lobby	Paper crafting	68.61
10/28/2013	Panera Bread	Food	266.19
11/22/2013	Viviano's Festa Italian	Food	272.63
11/25/2013	Sam's Club	Plates and chocolate	86.42
12/2/2013	Amazon	2 Cameras	138.95 (2)
12/4/2013	Da Aetn Shop	2 DVDs	38.94
12/5/2013	Da Aetn Shop	5 DVDs	73.95

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Transaction Date	Vendor	Item/Purpose	Amount
12/10/2013	Amazon	2 Chargers, treats, 11 phone cases, stylus, screen protector, 2 ID badge holders, and battery kit	303.74 (2)
12/10/2013	Dollar Tree	Gift bags and Christmas wrap	41.00
12/12/2013	Amazon	Asus Nexus 7 official power adapter and phone case	68.94 (2)
12/12/2013	O'Charley's	Food	118.75 (1)
12/13/2013	Dollar Tree	Christmas bows, bags, and gift wrap	19.00
12/14/2013	Sam's Club	Food, ribbon, plates, cups, cards, and napkins	400.56
12/16/2013	Catering Your Way By Lisa	Food	315.00
12/19/2013	Amazon	Memory card, 6 phone cases, and data cable	574.51 (2)
12/20/2013	Red Lobster	Food	263.22 (1)
12/23/2013	Amazon	Phone cases	89.95 (2)
12/23/2013	Sam's Club	Food	46.96
1/2/2014	Rizzo's	Food	152.30
1/23/2014	American Association of Schools	Spouse and guest registration	69.00
1/23/2014	Capital Plaza Hotel	1 Night	88.81 (2)
1/24/2014	Barnes & Noble	3 Paperback books	72.32
1/26/2014	Amazon	2 Tablets, 11 phone cases, Samsung Note, USB charger, wireless keyboard, charger, lanyard, printer, 2 keyboard cases, laptop sleeve, and car decal	1,453.17 (2)
1/28/2014	Amazon	4 Zipper sleeve covers, 8 Asus Tablets, case for Asus Memo, and 4 Google Nexus 7 tablets	1,100.09 (2)
1/28/2014	Amazon	sleeves	174.33 (2)
1/29/2014	Office Depot	Tablet	1,073.65
1/29/2014	Office Depot	Tablet	2,468.00
1/29/2014	Office Depot	Tablet	58.05
1/29/2014	Office Depot	Photo HP, 60Pk	22.99
1/30/2014	Panera Bread	Food	229.97
1/31/2014	Office Depot	Photo HP, 60Pk	22.99
1/31/2014	Sam's Club	Candy and snacks	196.72
2/3/2014	TGI Friday's	Food	125.54 (1)
2/7/2014	Amazon	4 Wall chargers and 2 cables	71.94 (2)
2/7/2014	Hotel.com	1 Night	115.24 (2)

Appendix B

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation

Transaction			
Date	Vendor	Item/Purpose	Amount
2/16/2014	Omni Nashville	Long distance telephone	39.08 (2)
2/16/2014	Omni Nashville	Valet parking	32.85 (2)
2/19/2014	Amazon	Otterbox phone case and Samsung Note 3	857.35
3/7/2014	Frankie Gianino's	Food	31.73 (1)
3/12/2014	Amazon	Hard case cover, privacy screen protector, and 6 phone cases	22.93 (2)
3/13/2014	Amazon	Phone cases	69.12 (2)
3/14/2014	Amazon	Keurig Brewer and K-cups	293.22 (2)
3/15/2014	Amazon	K-Cups, keypad, cover, and phone cases	342.95 (2)
3/18/2014	Qdoba Mexican Grill	Food	158.00
3/24/2014	Amazon	2 Wall chargers and 6 USB cables	105.92 (2)
3/24/2014	Amazon	3 External battery power bank backup chargers	119.97 (2)
3/27/2014	Amazon	Printer, 2 flash cards, 4 flash drives, headphones, and an Apple TV	756.20 (2)
3/27/2014	Amazon	2 Phone cases and 3 extended battery cases	76.43
3/27/2014	House of Inks	13 Ink cartridges	75.41
3/27/2014	Walgreens	Tampons	22.98
3/29/2014	Amazon	2 Rugged ridge 3/4" stainless steel D-shackles	101.18 (2)
4/2/2014	Amazon	5 Phone covers	29.02 (2)
4/2/2014	Amazon	4 Phone cases, 25" swivel grab skidding tongs, recovery strap, screen protector, and tow chain	176.74 (2), (5)
4/4/2014	Amazon	Tow chain	71.13 (2), (5)
4/8/2014	Amazon	Otterbox phone case	22.99 (2)
4/8/2014	Character Ed Partnership	Promising Practice Application for Braves Builders	20.00
4/9/2014	Amazon	Phone case and 3 rechargeable batteries	186.40 (2)
4/10/2014	Amazon	Rechargeable phone case	65.98 (2)
4/10/2014	Sam's Club	Apple cedar, cappuccino variety, hot chocolate, and tea	155.64
4/22/2014	Pomodoro's	Food	172.90
4/25/2014	Amazon	Gravity-Feed airbrush 3 tip set and airbrush kit	323.95 (2)
4/25/2014	Dollar Tree	Plastic tumblers	47.81
4/25/2014	Sam's Club	Food	23.32
4/26/2014	Sam's Club	Food	89.93
5/1/2014	Amazon	2 Phone cases	20.28 (2)

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Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation

Transaction				
Date	Vendor	Item/Purpose	Amount	
5/1/2014	Amazon	4 Charging cables, USB cables, 5 phone cases, and airbrush color set	177.93	(2)
5/2/2014	Amazon	USB car charger and 26 wicked colors 2 oz. detail colors airbrush paint set	139.91	(2)
5/12/2014	Dollar Tree	Balloons and graduation decorations	26.24	
5/20/2014	Amazon	Box of softballs	65.05	
5/20/2014	Amazon	2 Slow pitch bats	97.59	
5/20/2014	Sam's Club	Crackers, snacks, 2 fruit bowls, and cheese tray	53.72	
5/22/2014	Dairy Queen	Food	33.96	
5/22/2014	Papa John's	Food	30.00	(1)
6/1/2014	Amazon	Slow pitch bat and box of softballs	90.04	(2)
		Subtotal Questionable Purchases	37,928.33	A
5/16/2011	Dell	Unknown	43.99	
6/4/2011	Holiday Inn	Unknown	102.78	
6/10/2011	Tan-Tar-A Resort	Unknown	329.73	
8/29/2011	Edible Arrangements	Unknown	80.00	
9/22/2011	Sunny Street Café	Food	230.00	
9/22/2011	Sunny Street Café	Food	88.00	
10/11/2011	AT&T	Data	25.00	
10/26/2011	Camden on the Lake	Unknown	328.11	
12/15/2011	AT&T	Data	25.00	
12/19/2011	Cici's Pizza	Unknown	75.00	
12/19/2011	Edible Arrangements	Unknown	81.50	
1/8/2012	Survey Monkey	Unknown	200.00	
2/26/2012	AT&T	Data	30.00	
3/27/2012	AT&T	Data	30.00	
4/22/2012	AT&T	Data	25.00	
4/25/2012	AT&T	Data	30.00	
4/27/2012	Lodge of the Four Seasons	Unknown	397.71	
5/15/2012	Holiday Inn	Unknown	98.62	
6/16/2012	Holiday Inn	Unknown	102.78	
9/26/2012	McDonald's	Unknown	2.79	
11/26/2012	Dollar Tree	Unknown	12.00	

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Transaction	Date	Vendor	Item/Purpose	Amount
	1/23/2013	Hotel.com	Unknown	101.16
	1/24/2013	Office Depot	Unknown	19.78
	1/25/2013	Best Value Inn & Suites	Unknown	267.00
	4/26/2013	Camden on the Lake	Unknown	42.51
	6/6/2013	Office Depot	Unknown	39.56
	7/16/2013	Culvers	Unknown	8.90
	9/24/2013	Amazon	Prime membership	59.00
	10/2/2013	McDonald's	Unknown	6.24
	10/8/2013	Southwest Airlines	Unknown	25.00
	12/19/2013	Amazon	Unknown	38.94
	1/23/2014	Southwest Airlines	Unknown	25.00
	3/13/2014	Amazon	Unknown	12.98
	4/22/2014	Amazon	Unknown	91.99
	4/23/2014	Blue Owl	Unknown	79.12
	4/23/2014	Weber's Front Row Grill	Unknown	296.45
	5/18/2014	Amazon	Unknown	25.19
	5/18/2014	Amazon	Unknown	25.19
			Subtotal No Receipt or No Detailed Charge Slip	3,502.02 B
	8/3/2011	Edible Arrangements	Arrangement	81.00 (2)
	11/14/2011	Edible Arrangements	Arrangement	66.50
	1/5/2012	Edible Arrangements	Arrangement	70.50
	4/16/2012	Edible Arrangements	Arrangement	119.56 (2)
	4/27/2012	Dollar Tree	Gift items	57.00
	5/30/2012	Dick's Sporting Goods	2 Dick's Sporting Good's gift cards	100.00 (2)
	5/31/2012	Walmart	Chili's gift card and 2 Pizza Hut gift cards	85.00 (2)
	6/4/2012	Walmart	2 Pizza Hut gift cards	60.00 (2)
	6/12/2012	Edible Arrangements	Arrangement	85.00
	8/29/2012	Edible Arrangements	Arrangement	86.99 (2)
	11/7/2012	Walgreens	5 \$25 Darden gift cards	125.00 (2)
	11/16/2012	Edible Arrangements	Arrangement	94.99
	12/14/2012	Shop N' Save	3 Kohl's gift cards - all for needy families *	125.00 (2)

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Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation

Transaction			
Date	Vendor	Item/Purpose	Amount
3/4/2013	Edible Arrangements	Arrangement	80.99 (2)
3/19/2013	Fran Ann Engravings	32 Retirement clocks, 20 crescent/gold fill 15 years, 20 dome paperweights 20 years, 15 small glass box 25 years, 3 women's watches, and 2 cases	2,518.50
5/28/2013	Things Remembered	Retirement gifts	187.98
6/4/2013	Fran Ann Engravings	Curved glass 15 yrs.	17.50
8/27/2013	Edible Arrangements	Arrangement	82.39 (2)
10/14/2013	Party City	Happy retirement balloon, confetti, and other decorations	30.35
1/22/2014	Edible Arrangements	Arrangement	82.00
2/7/2014	Things Remembered	2 Watches	235.99
2/13/2014	Fran Ann Engravings	Silver desk plate holder black with white	137.00
2/20/2014	Edible Arrangements	Arrangement	111.99
3/11/2014	Edible Arrangements	Arrangement	89.99 (2)
4/23/2014	Fran Ann Engravings	Clock	640.00
4/26/2014	Party City	Balloon arrangement	33.87
4/28/2014	Fran Ann Engravings	2 2x10 Walnut/white unknown item	18.00
		Subtotal Gift Cards and Gifts	5,423.09 C
10/2/2011	Lodge of the Four Seasons	4 Rooms at \$232 at Chicago, IL	488.00
10/2/2011	Lodge of the Four Seasons	1 Night at \$232 at Lake of Ozark, MO	122.00 (2)
3/23/2012	Lodge of the Four Seasons	3 Nights at \$309 at Lake of Ozark, MO	597.00 (2)
3/23/2012	Lodge of the Four Seasons	3 Nights at \$309 at Lake of Ozark, MO	597.00
4/12/2012	Convention Center Hotel	3 Rooms at \$259 at Chicago, IL	447.00
4/12/2012	Convention Center Hotel	3 Rooms at \$259 at Chicago, IL	447.00
4/12/2012	Convention Center Hotel	3 Rooms at \$259 at Chicago, IL	447.00
4/12/2012	Convention Center Hotel	3 Rooms at \$259 at Chicago, IL	447.00
4/12/2012	Convention Center Hotel	3 Rooms at \$259 at Chicago, IL	447.00
9/28/2012	Lodge of the Four Seasons	3 Rooms at \$314 at Lake of Ozark, MO	612.00
2/26/2013	Hard Rock Hotel Orlando	Deposit 1 night at \$327 in Florida for Marzano Conference	217.60
2/26/2013	Hard Rock Hotel Orlando	Deposit 1 night at \$307 in Florida for Marzano Conference	199.40
3/22/2013	Lodge of the Four Seasons	3 Rooms at \$319 at Lake of Ozark, MO	627.00
3/22/2013	Lodge of the Four Seasons	3 Rooms at \$319 at Lake of Ozark, MO	627.00 (2)
6/12/2013	Hard Rock Hotel Orlando	4 Nights at \$485.10 at Orlando, FL	1,015.30

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Transaction			
Date	Vendor	Item/Purpose	Amount
6/12/2013	Hard Rock Hotel Orlando	1 Night at \$485.10 at Orlando, FL	397.60
7/16/2013	Camden on the Lake	2 Nights at \$125 at Lake Ozark, MO	30.00
7/16/2013	Camden on the Lake	2 Nights at \$125 at Lake Ozark, MO	30.00
7/17/2013	Camden on the Lake	2 Nights at \$125 at Lake Ozark, MO	30.00
7/17/2013	Camden on the Lake	2 Nights at \$125 at Lake Ozark, MO	30.00
7/17/2013	Camden on the Lake	2 Nights at \$125 at Lake Ozark, MO	30.00
7/29/2013	Holiday Inn	2 Nights at \$300 at Columbia, MO	380.00 (2)
10/5/2013	Lodge of the Four Seasons	2 Nights at \$240 at Lake of Ozark, MO	240.00
10/5/2013	Lodge of the Four Seasons	4 Nights at \$133 at Lake of Ozark, MO	94.70
10/8/2013	Hotel.com	2 Rooms at \$214 with location unknown	207.84 (2)
10/26/2013	Renaissance	3 Nights at \$269 in Washington, DC	325.68 (2)
10/28/2013	Renaissance	3 Nights at \$523 in Washington, DC	1,239.00
11/13/2013	Hotel.com	1 Night at \$175 with location unknown	65.00
2/12/2014	Omni Nashville	4 Nights at \$329 in Nashville, TN	876.00
2/12/2014	Omni Nashville	4 Nights at \$207 in Nashville, TN	436.00
2/16/2014	Omni Nashville	3 Nights at \$292 in Nashville, TN	436.00 (2)
2/16/2014	Omni Nashville	3 Nights at \$296 in Nashville, TN	436.00
3/20/2014	Lodge of the Four Seasons	1 Night at \$129 at Lake of Ozark, MO	19.00
3/21/2014	Lodge of the Four Seasons	3 Nights at \$287 at Lake of Ozark, MO	532.11
		Subtotal Over Policy Hotel	13,172.23 D
9/23/2011	Southwest Airlines	1 Round trip flight to Washington, DC	119.90 (2)
9/23/2011	Southwest Airlines	3 Round trip flights to Houston, TX	353.70
8/29/2012	Southwest Airlines	1 Round trip flight to Nashville, TN	108.60
12/10/2012	Southwest Airlines	2 Round trip flights to Washington, DC	344.20
1/15/2013	Southwest Airlines	5 Round trip flights to Washington, DC	529.00
1/15/2013	Southwest Airlines	5 Round trip flights to Washington, DC	529.00
2/26/2013	Southwest Airlines	1 Round trip flight to Florida for Marzano Conference	222.70
2/28/2013	Southwest Airlines	1 Round trip flight to Florida for Marzano Conference	193.70
2/28/2013	Southwest Airlines	1 Round trip flight to Florida for Marzano Conference	193.70 (2)
3/6/2013	Southwest Airlines	4 Round trip flights to Florida for Marzano Conference	719.20
4/18/2013	Southwest Airlines	7 Round trip flights to Florida for Marzano Conference	1,323.70

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Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation

Transaction Date	Vendor	Item/Purpose	Amount
4/19/2013	Southwest Airlines	1 Round trip flight to Dallas, TX	181.80
6/4/2013	Southwest Airlines	2 Round trip flights to Houston, TX	169.60
7/10/2013	Southwest Airlines	12 Round trip flights for Promising Practice Conference Washington, DC	1,161.60
10/14/2013	Southwest Airlines	1 Round trip flight for Promising Practice Conference Washington, DC	383.80
		Subtotal Over Policy Airline	6,534.20 E
7/15/2013	Ruthie D's	Gratuity	1.21
7/16/2013	Domenico's	Gratuity	3.08
10/5/2013	Applebee's	Gratuity	0.99
10/9/2013	Weber's Front Row Grill	Gratuity	4.43 (2)
4/9/2014	Weber's Front Row Grill	Gratuity	6.84 (2)
5/19/2014	Olive Garden	Gratuity	6.36
		Subtotal Over Policy Gratuity	22.91 F
		Total for Credit Card Number 4343	66,582.78

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Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation

Transaction Date	Vendor	Item/Purpose	Amount
<u>District Visa credit card number 2384 issued to Superintendent's Administrative Assistant</u>			
5/22/2011	Petro Mart	Fuel	51.45
5/23/2011	Walgreens	Card and gift wrap	32.17
5/26/2011	CI Select Furniture	11 Pneumo cylinder	171.60
5/26/2011	McDonald's	Food	26.93
6/8/2011	Walmart	8g iPod touch, Wii, 2 iHomes, golf balls, cards, and gift wrap	670.78
6/8/2011	AT&T	2 Gigs of data	25.00
7/8/2011	AT&T	2 Gigs of data	25.00
4/11/2012	Character Plus	Donation	100.00
8/8/2012	Custom Cellular	Samsung phone, 2 cases, and protection plan	904.66
11/30/2012	Panera Bread	Food	318.66
12/1/2012	Walmart	Cups and napkins	12.38
12/2/2012	Lee's Famous Chicken	Food	15.13
12/17/2012	Walmart	Ribbon	33.37
12/17/2012	Garden Ridge	Decorations	60.63
12/18/2012	Hobby Lobby	Christmas decorations	54.66
2/14/2013	Lee's Famous Chicken	Food	96.70
8/14/2013	Creve Coeur Camera	Microphone and shipping	214.00
11/18/2013	Gyro Co	Food	16.60
1/10/2014	OtterBox	Apple defender new iPad harbor and shipping	98.75
4/9/2014	Office Depot	Printer	24.99
5/2/2014	Joey B's	Food	57.05 (1)
5/14/2014	Weber's Front Row Grill	Food	176.87 (1)
5/14/2014	Weber's Front Row Grill	Food	106.66
5/19/2014	Dollar Tree	Table cover	1.09
5/19/2014	Party City	Retirement decorations	24.45
		Subtotal Questionable Purchases	3,319.58 A
6/7/2011	MO School Boards Association	Membership	125.00
3/1/2012	Jeffco Auto Pride	Car wash	8.00

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Transaction Date	Vendor	Item/Purpose	Amount
6/5/2012	Chili's	Food	40.16
8/8/2012	Frankie Gianino's	Food	101.92 (1)
10/10/2012	Crowne Plaza Downtown	Food	4.01
12/11/2012	Rizzo's	Food	285.80
		Subtotal No Receipt or No Detailed Charge Slip	<u>564.89</u> B
6/8/2011	Double Deuce Saloon	Gratuity	6.05
9/19/2012	Frankie Gianino's	Gratuity	16.38 (4)
10/10/2012	Crowne Plaza Downtown	Gratuity	1.79 (4)
12/13/2013	Olive Garden	Gratuity	2.09
4/17/2014	Terrazza Grill	Gratuity	<u>7.94</u> (4)
		Subtotal Over Policy Gratuity	<u>34.25</u> F
9/19/2012	Frankie Gianino's	Food	5.29 (4)
10/10/2012	Crowne Plaza Downtown	Food	7.00 (4)
4/17/2014	Terrazza Grill	Food	<u>13.55</u> (4)
		Subtotal Over Policy in Town Meals	<u>25.84</u> G
		Total for Credit Card Number 2384	<u>3,944.56</u>
		Grand Total	\$ <u><u>96,742.53</u></u>

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Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation - Alphabetical by Vendor

Transaction				
Date	Vendor	Item/Purpose		Amount
10/9/2012	54th Street Bar and Grill	Food	\$	52.31
8/5/2013	54th Street Bar and Grill	Gratuity		2.64
8/5/2013	54th Street Bar and Grill	Food		8.87
11/14/2013	54th Street Bar and Grill	Food		70.44
8/8/2013	Ace Hardware	56 Fasteners, blank key, and screws		42.14
6/22/2013	Alamo Rent a Car	Time and distance \$95 per day and car class change charge for Marzano Conference		239.00
10/22/2013	Alexandria University	Unknown		24.27
5/24/2011	Amazon	USB camera		69.00
2/26/2013	Amazon	Unknown		134.15
3/10/2013	Amazon	11 Phone cases, sport band for cell phone, 2 stylus pens for phone, and screen protector		218.71
3/13/2013	Amazon	2 Desk pad/ desk protectors		128.38
8/7/2013	Amazon	1 Colorful rhinestone lanyard with vertical rhinestone lined ID badge holders and other items		173.45
8/8/2013	Amazon	Phone case and charger		19.04
8/8/2013	Amazon	ID badge holders, wall charger, phone cases, and lanyard keychain card holder		144.58
9/2/2013	Amazon	Paperback book		73.99
9/24/2013	Amazon	19 ASUS tablets and 5 Kindle Fire		3,230.56
9/24/2013	Amazon	Prime membership		59.00
9/25/2013	Amazon	20 Sweatshirts		730.54
10/21/2013	Amazon	Backpack		31.23
12/2/2013	Amazon	2 Cameras		138.95
12/10/2013	Amazon	2 Chargers, treats, 11 phone cases, stylus, screen protector, 2 ID badge holders, and battery kit		303.74
12/12/2013	Amazon	Asus Nexus 7 official power adapter and phone case		68.94
12/19/2013	Amazon	Memory card, 6 phone cases, and data cable		574.51
12/19/2013	Amazon	Unknown		38.94
12/23/2013	Amazon	Phone cases		89.95
1/26/2014	Amazon	2 Tablets, 11 phone cases, Samsung Note, USB charger, wireless keyboard, charger, lanyard, printer, 2 keyboard cases, laptop sleeve, and car decal		1,453.17
1/28/2014	Amazon	4 Zipper sleeve covers, 8 Asus Tablets, case for Asus Memo, and 4 Google Nexus 7 tablets		1,100.09
1/28/2014	Amazon	Keyboard, carry case, sticker, and sleeves		174.33
2/7/2014	Amazon	4 Wall chargers and 2 cables		71.94
2/19/2014	Amazon	Otterbox phone case and Samsung Note 3		857.35
3/12/2014	Amazon	Hard case cover, privacy screen protector, and 6 phone cases		22.93
3/13/2014	Amazon	Phone cases		69.12

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Transaction				
Date	Vendor	Item/Purpose	Amount	
3/13/2014	Amazon	Unknown	12.98	
3/14/2014	Amazon	Keurig Brewer and K-cups	293.22	
3/15/2014	Amazon	K-Cups, keypad, cover, and phone cases	342.95	
3/24/2014	Amazon	2 Wall chargers and 6 USB cables	105.92	
3/24/2014	Amazon	3 External battery power bank backup chargers	119.97	
3/27/2014	Amazon	Printer, 2 flash cards, 4 flash drives, headphones, and an Apple TV	756.20	
3/27/2014	Amazon	2 Phone cases and 3 extended battery cases	76.43	
3/29/2014	Amazon	2 Rugged ridge 3/4" stainless steel D-shackles	101.18	
4/2/2014	Amazon	5 Phone covers	29.02	
4/2/2014	Amazon	4 Phone cases, 25" swivel grab skidding tongs, recovery strap, screen protector, and tow chain	176.74	
4/4/2014	Amazon	Tow chain	71.13	
4/8/2014	Amazon	Otterbox phone case	22.99	
4/9/2014	Amazon	Phone case and 3 rechargeable batteries	186.40	
4/10/2014	Amazon	Rechargeable phone case	65.98	
4/22/2014	Amazon	Unknown	91.99	
4/25/2014	Amazon	Gravity-Feed airbrush 3 tip set and airbrush kit	323.95	
5/1/2014	Amazon	2 Phone cases	20.28	
5/1/2014	Amazon	4 Charging cables, USB cables, 5 phone cases, and airbrush color set	177.93	
5/2/2014	Amazon	USB car charger and 26 wicked colors 2 oz. detail colors airbrush paint set	139.91	
5/18/2014	Amazon	Unknown	25.19	
5/18/2014	Amazon	Unknown	25.19	
5/20/2014	Amazon	Box of softballs	65.05	
5/20/2014	Amazon	2 Slow pitch bats	97.59	
6/1/2014	Amazon	Slow pitch bat and box of softballs	90.04	
1/23/2014	American Association of Schools	Spouse and guest registration	69.00	
12/18/2012	Apple Store	iPad, pin adapter, and iPad keyboard	377.95	
5/19/2012	Applebee's	Food	61.80	
4/12/2013	Applebee's	Food	58.23	
7/17/2013	Applebee's	Food	60.27	
8/30/2013	Applebee's	Food	21.91	
10/5/2013	Applebee's	Gratuity	0.99	
1/10/2014	Applebee's	Gratuity	1.98	
1/10/2014	Applebee's	Food	35.32	

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Transaction				
Date	Vendor	Item/Purpose	Amount	
5/2/2013	Arby's	Food	43.17	
6/4/2013	Arby's	Food	44.42	
7/20/2013	Arby's	Food	36.35	
10/21/2013	Arby's	Food	25.42	
5/20/2012	Arnold Plaza	Unknown	53.57	
6/8/2011	AT&T	2 Gigs of data	25.00	
7/8/2011	AT&T	Data	25.00	
7/8/2011	AT&T	2 Gigs of data	25.00	
8/3/2011	AT&T	Data	25.00	
8/9/2011	AT&T	Data	25.00	
9/8/2011	AT&T	Data	25.00	
9/9/2011	AT&T	Data	25.00	
10/10/2011	AT&T	Data	25.00	
10/11/2011	AT&T	Data	25.00	
11/10/2011	AT&T	Data	25.00	
11/15/2011	AT&T	Data	25.00	
12/15/2011	AT&T	Data	25.00	
12/23/2011	AT&T	Data	25.00	
1/15/2012	AT&T	Data	25.00	
1/23/2012	AT&T	Data	25.00	
2/22/2012	AT&T	Data	25.00	
2/26/2012	AT&T	Data	30.00	
3/1/2012	AT&T	iPhone 4	349.99	
3/23/2012	AT&T	Data	25.00	
3/27/2012	AT&T	Data	30.00	
4/22/2012	AT&T	Data	25.00	
4/25/2012	AT&T	Data	30.00	
5/10/2012	AT&T	iPhone 4S	634.94	
5/31/2012	AT&T	Sim card	10.82	
7/16/2012	AT&T	Clear coat iPhone, clear coat Galaxy Smartphone, and phone case	79.97	
2/15/2014	Avis Rent a Car	Car rental	332.20	
2/11/2014	Baileys Sports Grille	Gratuity	11.23	
2/15/2014	Barlines Omni Nashville	Food	62.71	

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Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation - Alphabetical by Vendor

Transaction			
Date	Vendor	Item/Purpose	Amount
1/24/2014	Barnes & Noble	3 Paperback books	72.32
9/2/2011	Best Buy	Flashlight	36.35
1/28/2012	Best Buy	2 Keyboard cases for iPad	159.98
1/25/2013	Best Value Inn & Suites	Unknown	267.00
2/16/2014	Biruk Yimer	Cab fare	35.00
5/30/2013	Blue Owl	Food	293.04
4/23/2014	Blue Owl	Unknown	79.12
3/20/2013	Bob Evan's	Food	51.44
7/3/2012	Boomland	Gas	58.74
4/24/2013	Bootleggers	Food	109.83
11/10/2011	Bravo West County Italian	Food	63.83
11/2/2012	Bravo West County Italian	Gratuity	2.36
11/2/2012	Bravo West County Italian	Food	10.38
11/27/2011	Break Time	Fuel or convenience store items	50.79
7/14/2012	Buca di Beppo Indianapolis	Food	142.14
7/13/2012	Burger King	Food	16.72
11/14/2012	Burger King	Food	14.63
2/5/2014	Burger King	Food	14.14
4/12/2013	C Barn	Fuel	80.84
10/26/2011	Camden on the Lake	Unknown	328.11
4/26/2013	Camden on the Lake	Unknown	42.51
7/16/2013	Camden on the Lake	2 Nights at \$125 at Lake Ozark, MO	30.00
7/16/2013	Camden on the Lake	2 Nights at \$125 at Lake Ozark, MO	30.00
7/17/2013	Camden on the Lake	2 Nights at \$125 at Lake Ozark, MO	30.00
7/17/2013	Camden on the Lake	2 Nights at \$125 at Lake Ozark, MO	30.00
7/17/2013	Camden on the Lake	2 Nights at \$125 at Lake Ozark, MO	30.00
7/17/2013	Camden on the Lake	1 Extra night	136.25
1/21/2014	Capital Plaza Fountain	Gratuity	2.75
2/7/2012	Capital Plaza Hotel	Park Place Restaurant	37.21
1/23/2014	Capital Plaza Hotel	1 Night	88.81
4/28/2012	Carnival & Party	Party decorations	24.96
4/29/2013	Carnival & Party	Party supplies	61.35
10/19/2013	Casey's	Fuel	78.13

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Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation - Alphabetical by Vendor

Transaction Date	Vendor	Item/Purpose	Amount
12/16/2013	Catering Your Way By Lisa	Food	315.00
10/26/2011	Cecil Whittaker's Pizza	Food	211.76
3/8/2013	Cecil Whittaker's Pizza	Food	96.91
10/7/2013	Cecil Whittaker's Pizza	Food	99.98
4/8/2014	Character Ed Partnership	Promising Practice Application for Braves Builders	20.00
4/11/2012	Character Plus	Donation	100.00
10/24/2013	Chart House	Gratuity	14.67
2/15/2014	Checker Cab Nashville	Cab fare	20.00
7/29/2013	Cheddar's Restaurant	Food	42.53
3/1/2012	Chick-fil-A	Food	15.28
3/20/2012	Chick-fil-A	Food	59.58
5/31/2012	Chick-fil-A	Food	25.01
8/7/2012	Chick-fil-A	Food	14.62
10/9/2012	Chick-fil-A	Food	18.02
10/23/2012	Chick-fil-A	Food	39.94
12/7/2012	Chick-fil-A	Food	30.29
2/26/2013	Chick-fil-A	Food	54.53
3/8/2013	Chick-fil-A	Food	14.77
8/20/2013	Chick-fil-A	Food	24.10
9/12/2013	Chick-fil-A	Food	24.27
9/27/2013	Chick-fil-A	Food	14.07
11/6/2013	Chick-fil-A	Food	23.35
12/19/2013	Chick-fil-A	Food	17.81
5/9/2014	Chick-fil-A	Food	71.62
6/5/2012	Chili's	Food	40.16
2/11/2014	Chili's Lambert Airport	Gratuity	6.23
5/15/2014	China King	Food	34.09
6/9/2011	China Wok	Food	24.20
5/26/2011	CI Select Furniture	11 Pneumo cylinder	171.60
12/19/2011	Cici's Pizza	Unknown	75.00
6/27/2012	Circle K	Convenience store items	16.73
4/22/2013	Circle K	Fuel or convenience store items	10.00
7/27/2013	Circle K	Fuel	10.00

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Transaction Date	Vendor	Item/Purpose	Amount
8/21/2013	Circle K	Fuel or convenience store items	10.00
9/7/2013	Circle K	Fuel or convenience store items	10.00
11/17/2013	Circle K	Fuel	62.71
11/29/2013	Circle K	Fuel	28.45
11/30/2013	Circle K	Fuel	54.50
12/3/2013	Circle K	Fuel	10.00
7/30/2011	Clark	Fuel	42.74
7/15/2012	Cloverdale BP	Fuel	67.18
4/12/2012	Convention Center Hotel	3 Rooms at \$259 at Chicago, IL	447.00
4/12/2012	Convention Center Hotel	3 Rooms at \$259 at Chicago, IL	447.00
4/12/2012	Convention Center Hotel	3 Rooms at \$259 at Chicago, IL	447.00
4/12/2012	Convention Center Hotel	3 Rooms at \$259 at Chicago, IL	447.00
4/12/2012	Convention Center Hotel	3 Rooms at \$259 at Chicago, IL	447.00
7/20/2013	Cranes County Store	Fuel	57.42
8/16/2011	Creve Coeur Camera	Cameras, sun pack film, battery, SD cards, and flash	1,521.89
8/14/2013	Creve Coeur Camera	Microphone and shipping	214.00
8/29/2013	Crown Trophy	Trophy	175.00
10/10/2012	Crowne Plaza Downtown	Food	4.01
10/10/2012	Crowne Plaza Downtown	Gratuity	1.79
10/10/2012	Crowne Plaza Downtown	Food	7.00
7/16/2013	Culvers	Unknown	8.90
8/8/2012	Custom Cellular	Samsung phone, 2 cases, and protection plan	904.66
5/7/2014	Custom Cellular	iPhone 5, phone case, and iPad air screen	70.36
5/9/2014	Custom Cellular	2 iPhone clear coat and iPad air screen	64.98
12/4/2013	Da Aetn Shop	2 DVDs	38.94
12/5/2013	Da Aetn Shop	5 DVDs	73.95
12/1/2013	Dairy Queen	Food	11.74
5/22/2014	Dairy Queen	Food	33.96
5/16/2011	Dell	Unknown	43.99
8/12/2011	Detour Grill & Bar	Food	248.24
10/31/2012	Detour Grill & Bar	Food	28.74
10/11/2013	Detour Grill & Bar	Food	42.15
6/7/2011	Dick's Sporting Goods	Dual flash camera	157.15

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Transaction			
Date	Vendor	Item/Purpose	Amount
5/30/2012	Dick's Sporting Goods	2 Dick's Sporting Good's gift cards	100.00
6/7/2012	Dick's Sporting Goods	Clothing, golf items, and other items	1,603.19
11/22/2011	Dierbergs	2 Flower rose bunches	32.78
11/19/2012	Dierbergs	Flowers	37.14
1/22/2013	Dierbergs	Juice, coffee, and donuts	35.04
9/23/2013	Dierbergs	Donuts and milk	37.91
12/10/2013	DiGregorios Italian Market	Food	116.23
1/22/2014	Disney Store	40 Bags	43.36
11/22/2011	Dollar Tree	6 Balloon weights	6.56
4/27/2012	Dollar Tree	Gift items	57.00
11/26/2012	Dollar Tree	Unknown	12.00
4/26/2013	Dollar Tree	Decorations	106.86
5/10/2013	Dollar Tree	Wedding favor box, wedding garland, and other items	20.59
5/11/2013	Dollar Tree	Wedding favor box and decorations	22.96
12/10/2013	Dollar Tree	Gift bags and Christmas wrap	41.00
12/13/2013	Dollar Tree	Christmas bows, bags, and gift wrap	19.00
4/25/2014	Dollar Tree	Plastic tumblers	47.81
5/12/2014	Dollar Tree	Balloons and graduation decorations	26.24
5/19/2014	Dollar Tree	Table cover	1.09
7/16/2013	Domenico's	Gratuity	3.08
10/4/2013	Domenico's	Food	36.53
6/14/2011	Domino's Pizza	Food	261.99
6/8/2011	Double Deuce Saloon	Gratuity	6.05
10/12/2011	Double Deuce Saloon	Gratuity	6.71
10/12/2011	Double Deuce Saloon	Gratuity	0.42
1/18/2012	Double Deuce Saloon	Gratuity	7.19
2/8/2012	Double Deuce Saloon	Food	148.70
3/14/2012	Double Deuce Saloon	Food	147.99
3/29/2012	Double Deuce Saloon	Gratuity	14.42
4/11/2012	Double Deuce Saloon	Gratuity	11.24
6/13/2012	Double Deuce Saloon	Food	129.53
6/13/2012	Double Deuce Saloon	Gratuity	7.82
6/11/2013	Drunken Noodles	Food	95.24

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Transaction			
Date	Vendor	Item/Purpose	Amount
6/26/2013	Drunken Noodles	Food	40.89
7/22/2013	Drunken Noodles	Food	61.75
8/7/2013	Drunken Noodles	Food	24.31
8/12/2013	Drunken Noodles	Gratuity	5.05
8/12/2013	Drunken Noodles	Food	8.70
8/22/2013	Drunken Noodles	Food	23.47
10/31/2013	Drunken Noodles	Food	40.92
11/18/2013	Drunken Noodles	Food	26.77
2/17/2013	Eagle Stop	Fuel	35.14
8/3/2011	Edible Arrangements	Arrangement	81.00
8/29/2011	Edible Arrangements	Unknown	80.00
11/14/2011	Edible Arrangements	Arrangement	66.50
12/19/2011	Edible Arrangements	Unknown	81.50
1/5/2012	Edible Arrangements	Arrangement	70.50
4/16/2012	Edible Arrangements	Arrangement	119.56
6/12/2012	Edible Arrangements	Arrangement	85.00
8/29/2012	Edible Arrangements	Arrangement	86.99
10/14/2012	Edible Arrangements	Unknown	83.51
11/16/2012	Edible Arrangements	Arrangement	94.99
3/4/2013	Edible Arrangements	Arrangement	80.99
8/27/2013	Edible Arrangements	Arrangement	82.39
1/22/2014	Edible Arrangements	Arrangement	82.00
2/20/2014	Edible Arrangements	Arrangement	111.99
3/11/2014	Edible Arrangements	Arrangement	89.99
2/7/2012	El Maguey	Food	21.43
6/27/2012	El Paisano Mexican Restaurant	Food	48.55
9/26/2012	El Paisano Mexican Restaurant	Food	36.88
1/24/2013	El Patron	Food	57.20
5/30/2012	Elephant Bar	Food	37.79
7/22/2013	Ellisville Photo Ticket	Red light camera ticket	104.00
11/19/2012	Enterprise Rent-A-Car	Rental charges and fees for one week	397.54
2/1/2013	Enterprise Rent-A-Car	Car rental fees	48.00
10/7/2011	Etcetera Flowers & Gifts	Unknown	75.10

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Transaction			
Date	Vendor	Item/Purpose	Amount
2/9/2014	Evaluation Systems Test Fee	Unknown	29.95
12/21/2013	Express Mart	Fuel	50.12
5/21/2014	Express Mart	Fuel	71.12
10/13/2011	Exxon Mobil	Fuel	53.20
12/26/2011	Exxon Mobil	Fuel	38.64
10/25/2013	Fado Irish Pub	Gratuity	10.40
2/16/2013	Fast N Friendly	Fuel	56.18
12/21/2012	Five Guys	Food	32.73
7/12/2012	Food Shop	Fuel	55.10
4/24/2012	Forstell Taco Bell	Food	14.34
7/28/2011	Fortels Pizza Den	Food	55.80
2/19/2012	Four Seasons Hotels	Unknown	7.58
2/19/2012	Four Seasons Hotels	4 Nights at \$185 in Houston, TX	300.00
3/19/2013	Fran Ann Engravings	32 Retirement clocks, 20 crescent/gold fill 15 years, 20 dome paperweights 20 years, 15 small glass box 25 years, 3 women's watches, and 2 cases	2,518.50
5/6/2013	Fran Ann Engravings	Chrome paperweights and engraved watches	157.50
6/4/2013	Fran Ann Engravings	Curved glass 15 yrs.	17.50
8/27/2013	Fran Ann Engravings	Engraved trophy	106.00
2/13/2014	Fran Ann Engravings	Silver desk plate holder black with white	137.00
4/23/2014	Fran Ann Engravings	Clock	640.00
4/28/2014	Fran Ann Engravings	2 2x10 Walnut/white unknown item	18.00
7/11/2012	Frankie Gianino's	Food	88.91
8/8/2012	Frankie Gianino's	Food	101.92
9/19/2012	Frankie Gianino's	Gratuity	16.38
9/19/2012	Frankie Gianino's	Food	5.29
4/19/2013	Frankie Gianino's	Food	36.71
5/16/2013	Frankie Gianino's	Food	31.73
10/4/2013	Frankie Gianino's	Gratuity	13.48
10/4/2013	Frankie Gianino's	Food	37.99
3/7/2014	Frankie Gianino's	Food	31.73
12/17/2012	Garden Ridge	Decorations	60.63
2/13/2012	Garvey's Grill	Food	37.46
7/17/2013	Garvey's Grill	Food	40.09

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Transaction			
Date	Vendor	Item/Purpose	Amount
6/7/2011	Golf Discount of St. Louis	Various golf items and 4 gift certificates	1,594.19
11/15/2012	Grubsteak Restaurant	Food	82.36
2/18/2012	Guadalajara Del Centro	Gratuity	5.62
11/18/2013	Gyro Co	Food	16.60
4/23/2013	H. Toads	Food	27.73
4/25/2013	H. Toads	Gratuity	9.61
7/14/2013	H. Toads	Food	97.64
2/26/2013	Hard Rock Hotel Orlando	Deposit 1 night at \$327 in Florida for Marzano Conference	217.60
2/26/2013	Hard Rock Hotel Orlando	Deposit 1 night at \$307 in Florida for Marzano Conference	199.40
6/12/2013	Hard Rock Hotel Orlando	Valet parking for 4 Nights	100.00
6/12/2013	Hard Rock Hotel Orlando	4 Nights at \$485.10 at Orlando, FL	1,015.30
6/12/2013	Hard Rock Hotel Orlando	1 Night at \$485.10 at Orlando, FL	397.60
10/23/2013	Harry's	Gratuity	6.65
8/8/2011	Hobby Lobby	Frames and accents	76.86
8/9/2011	Hobby Lobby	Frames and accents	192.82
11/8/2012	Hobby Lobby	Frames and crafts	65.89
12/18/2012	Hobby Lobby	Christmas decorations	54.66
8/13/2013	Hobby Lobby	Paper crafting	8.99
8/16/2013	Hobby Lobby	7 Paper crafting	43.13
10/25/2013	Hobby Lobby	Paper crafting	68.61
4/3/2014	Hobby Lobby	Paper crafting	89.14
6/4/2011	Holiday Inn	Unknown	102.78
5/15/2012	Holiday Inn	Unknown	98.62
6/16/2012	Holiday Inn	Unknown	102.78
7/29/2013	Holiday Inn	2 Nights at \$300 at Columbia, MO	380.00
6/27/2012	Hotel.com	NFL football camp	327.34
6/28/2012	Hotel.com	NFL football camp	327.34
7/8/2012	Hotel.com	NFL football camp	350.79
1/23/2013	Hotel.com	Unknown	101.16
10/8/2013	Hotel.com	2 Rooms at \$214 with location unknown	207.84
11/13/2013	Hotel.com	1 Night at \$175 with location unknown	65.00
2/7/2014	Hotel.com	1 Night	115.24
3/27/2014	House of Inks	13 Ink cartridges	75.41

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Transaction			
Date	Vendor	Item/Purpose	Amount
3/1/2012	Jeffco Auto Pride	Car wash	8.00
10/20/2011	Jewel Box Florist	Plant and football balloon	75.00
1/25/2013	JJ Twigs Pizza	Food	45.48
4/22/2013	JJ Twigs Pizza	Food	41.19
8/14/2011	Jo-Ann's	Banners, stickers, and cutout	163.96
4/27/2012	Jo-Ann's	Decorations	77.59
5/6/2013	Joey B's	Food	159.29
5/2/2014	Joey B's	Food	57.05
4/6/2013	KFC	Food	114.32
1/22/2014	KFC	Food	56.19
1/11/2013	Learning Sciences	Marzano Conference	4,169.00
12/1/2012	Lee's Famous Chicken	Tea	26.47
12/2/2012	Lee's Famous Chicken	Food	15.13
2/14/2013	Lee's Famous Chicken	Food	96.70
4/9/2013	Lee's Famous Chicken	Food	22.07
6/25/2013	Lee's Famous Chicken	Food	12.66
10/22/2013	Legal Sea Foods	Gratuity	7.26
10/2/2011	Lodge of the Four Seasons	Food	57.20
10/2/2011	Lodge of the Four Seasons	4 Rooms at \$232 at Chicago, IL	488.00
10/2/2011	Lodge of the Four Seasons	1 Night at \$232 at Lake of Ozark, MO	122.00
3/23/2012	Lodge of the Four Seasons	3 Nights at \$309 at Lake of Ozark, MO	597.00
3/23/2012	Lodge of the Four Seasons	3 Nights at \$309 at Lake of Ozark , MO	597.00
4/27/2012	Lodge of the Four Seasons	Unknown	397.71
9/28/2012	Lodge of the Four Seasons	3 Rooms at \$314 at Lake of Ozark, MO	612.00
3/22/2013	Lodge of the Four Seasons	3 Rooms at \$319 at Lake of Ozark, MO	627.00
3/22/2013	Lodge of the Four Seasons	3 Rooms at \$319 at Lake of Ozark, MO	627.00
10/5/2013	Lodge of the Four Seasons	2 Nights at \$240 at Lake of Ozark, MO	240.00
10/5/2013	Lodge of the Four Seasons	4 Nights at \$133 at Lake of Ozark, MO	94.70
3/20/2014	Lodge of the Four Seasons	1 Night at \$129 at Lake of Ozark, MO	19.00
3/21/2014	Lodge of the Four Seasons	3 Nights at \$287 at Lake of Ozark, MO	532.11
4/17/2012	Lowe's	Peat moss, bi metal blades, and hacksaw	59.51
10/3/2011	Marco Beach Ocean Resort	2 Nights at \$245 in Marco Island, FL	270.00
6/18/2013	Margaritaville	Food during Marzano Conference	362.04

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Transaction				
Date	Vendor	Item/Purpose	Amount	
7/12/2012	Marriott	NFL football camp	53.97	
7/14/2012	Marriott	Parking	34.00	
7/15/2012	Marriott	Coffee	25.12	
7/16/2012	Marriott	Parking	68.00	
7/16/2012	Marriott	Parking	68.00	
11/19/2012	Marriott	5 Nights at \$258 in Denver, CO	740.00	
4/4/2012	Marshalls	Unknown	24.56	
5/26/2011	McDonald's	Food	26.93	
7/20/2011	McDonald's	Food	31.56	
9/26/2012	McDonald's	Unknown	2.79	
10/15/2012	McDonald's	Food	12.12	
9/6/2013	McDonald's	Food	36.54	
10/2/2013	McDonald's	Unknown	6.24	
11/12/2013	McDonald's	Food	30.98	
4/5/2014	McDonald's	Food	11.79	
6/22/2013	MCO Enterprises	Food	18.22	
9/25/2013	Missouri School Administrators PA	Donation	240.00	
2/8/2014	MO Metrix Test Prep	Flash card study system	43.98	
6/7/2011	MO School Boards Association	Membership	125.00	
8/13/2012	New China	Food	24.60	
1/29/2013	Nicoletti Inc.	Gratuity	3.11	
1/29/2013	Nicoletti Inc.	Food	6.47	
5/19/2012	Northside	Fuel	50.00	
12/12/2013	O'Charley's	Food	118.75	
6/6/2011	Office Depot	Letters block	16.59	
8/15/2011	Office Depot	5 USB drives	51.36	
11/28/2011	Office Depot	Copy paper	76.52	
1/24/2013	Office Depot	Unknown	19.78	
6/6/2013	Office Depot	Unknown	39.56	
8/6/2013	Office Depot	iPad case and travel phone charger	269.29	
8/11/2013	Office Depot	Notebook, binder ring, 4 portfolios, cable, pencil box, pens, and DVD-R spindle	78.28	
9/11/2013	Office Depot	Calculator	16.39	
1/29/2014	Office Depot	Tablet	1,073.65	

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Transaction				
Date	Vendor	Item/Purpose	Amount	
1/29/2014	Office Depot	Tablet	2,468.00	
1/29/2014	Office Depot	Tablet	58.05	
1/29/2014	Office Depot	Photo HP, 60Pk	22.99	
1/31/2014	Office Depot	Photo HP, 60Pk	22.99	
4/9/2014	Office Depot	Printer	24.99	
3/6/2012	Office Max	2 SD cards	59.98	
12/13/2013	Olive Garden	Gratuity	2.09	
5/19/2014	Olive Garden	Gratuity	6.36	
2/12/2014	Omni Nashville	4 Nights at \$329 in Nashville, TN	876.00	
2/12/2014	Omni Nashville	4 Nights at \$207 in Nashville, TN	436.00	
2/16/2014	Omni Nashville	Food	7.50	
2/16/2014	Omni Nashville	Long distance telephone	39.08	
2/16/2014	Omni Nashville	Valet parking	32.85	
2/16/2014	Omni Nashville	3 Nights at \$292 in Nashville, TN	436.00	
2/16/2014	Omni Nashville	3 Nights at \$296 in Nashville, TN	436.00	
1/10/2014	OtterBox	Apple defender new iPad harbor and shipping	98.75	
5/13/2013	Panda Express	Food	44.59	
6/16/2011	Panera Bread	Food	10.33	
7/18/2011	Panera Bread	Food	89.24	
8/10/2011	Panera Bread	15 Gift cards	200.00	
8/27/2011	Panera Bread	Food	68.27	
9/7/2011	Panera Bread	Food	33.82	
10/6/2011	Panera Bread	Food	17.24	
11/2/2011	Panera Bread	Food	53.20	
11/21/2011	Panera Bread	Food	33.41	
2/2/2012	Panera Bread	Food	13.18	
2/10/2012	Panera Bread	Food	18.19	
5/9/2012	Panera Bread	Food	19.67	
9/14/2012	Panera Bread	Food	33.89	
10/30/2012	Panera Bread	Food	21.73	
11/5/2012	Panera Bread	Food	92.56	
11/30/2012	Panera Bread	Food	318.66	
2/14/2013	Panera Bread	Food	40.00	

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Transaction Date	Vendor	Item/Purpose	Amount
3/13/2013	Panera Bread	Food	46.62
4/18/2013	Panera Bread	Food	90.75
7/11/2013	Panera Bread	Food	36.77
10/15/2013	Panera Bread	Food	87.37
10/16/2013	Panera Bread	Food	152.23
10/22/2013	Panera Bread	Food	25.25
10/28/2013	Panera Bread	Food	266.19
10/31/2013	Panera Bread	Food	127.26
11/20/2013	Panera Bread	Food	43.44
1/30/2014	Panera Bread	Food	229.97
2/24/2014	Panera Bread	Food	33.83
3/25/2014	Panera Bread	Food	15.92
4/14/2014	Panera Bread	Food	31.10
4/23/2014	Panera Bread	Food	32.30
4/30/2014	Panera Bread	Food	53.44
5/6/2014	Panera Bread	Food	5.54
5/27/2014	Panera Bread	Food	22.69
5/29/2014	Panera Bread	Food	69.00
5/22/2014	Papa John's	Food	30.00
4/27/2012	Party City	Party decorations	91.66
5/10/2013	Party City	Decorations	121.61
10/14/2013	Party City	Happy retirement balloon, confetti, and other decorations	30.35
4/26/2014	Party City	Balloon arrangement	33.87
5/19/2014	Party City	Retirement decorations	24.45
5/22/2011	Petro Mart	Fuel	51.45
12/1/2013	Pick A Dilly	Fuel	35.30
7/19/2011	Pomodoro's	Food	123.84
9/21/2011	Pomodoro's	Food	92.20
7/19/2013	Pomodoro's	Food	103.80
11/14/2013	Pomodoro's	Food party trays	98.98
4/22/2014	Pomodoro's	Food	172.90
7/14/2012	Puerto Vallarta	Unknown	69.20
6/4/2012	Q Nails	Gift card	100.00

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Transaction			
Date	Vendor	Item/Purpose	Amount
8/30/2013	Qdoba Mexican Grill	Naked burrito bar 50, lettuce, tortillas, and queso	606.89
3/18/2014	Qdoba Mexican Grill	Food	158.00
10/21/2012	Quick Trip	Fuel	58.88
1/5/2014	Radio Shack	Charger	24.71
5/1/2013	Red Lobster	Food	43.27
12/20/2013	Red Lobster	Food	263.22
10/26/2013	Renaissance	3 Nights at \$269 in Washington, DC	325.68
10/28/2013	Renaissance	3 Nights at \$523 in Washington, DC	1,239.00
10/22/2013	RFD	Unknown	46.90
10/2/2012	Rizzo's	Food	31.76
12/11/2012	Rizzo's	Food	285.80
1/2/2014	Rizzo's	Food	152.30
10/8/2012	Romano's Macaroni Grill	Gratuity	3.10
10/8/2012	Romano's Macaroni Grill	Food	7.00
6/12/2013	Romano's Macaroni Grill	Food	49.97
7/28/2013	Romano's Macaroni Grill	Food	42.20
11/30/2013	Romano's Macaroni Grill	Food	125.62
7/15/2013	Ruthie D's	Gratuity	1.21
4/27/2012	Sam's Club	Paper, plates, and juice	176.02
11/16/2012	Sam's Club	Food, mugs, paper ware, 4 USB, and card	296.42
4/26/2013	Sam's Club	Food	331.55
5/12/2013	Sam's Club	Food	68.98
11/25/2013	Sam's Club	Plates and chocolate	86.42
12/14/2013	Sam's Club	Food, ribbon, plates, cups, cards, and napkins	400.56
12/23/2013	Sam's Club	Food	46.96
1/31/2014	Sam's Club	Candy and snacks	196.72
4/10/2014	Sam's Club	Apple cedar, cappuccino variety, hot chocolate, and tea	155.64
4/25/2014	Sam's Club	Food	23.32
4/26/2014	Sam's Club	Food	89.93
5/20/2014	Sam's Club	Crackers, snacks, 2 fruit bowls, and cheese tray	53.72
11/14/2012	Shelby's Bar And Grill	Food	67.73
7/22/2011	Shell Oil	Fuel or convenience store items	15.06
12/25/2012	Shell Oil	Fuel	61.67

Appendix C

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation - Alphabetical by Vendor

Transaction				
Date	Vendor	Item/Purpose	Amount	
2/1/2013	Shell Oil	Fuel	54.08	
3/15/2013	Shell Oil	Fuel	76.27	
5/31/2013	Shell Oil	Fuel	59.03	
7/3/2013	Shell Oil	Fuel	51.68	
7/9/2013	Shell Oil	Fuel	58.84	
7/11/2013	Shell Oil	Fuel	57.41	
9/21/2013	Shell Oil	Fuel	40.40	
9/22/2013	Shell Oil	Fuel	82.69	
10/13/2013	Shell Oil	Fuel	49.96	
10/17/2013	Shell Oil	Fuel	64.83	
2/9/2014	Shell Oil	Fuel	47.61	
2/16/2014	Shell Oil	Fuel	56.16	
4/17/2014	Shell Oil	Fuel	45.37	
3/21/2012	Shoney's	Food	26.88	
12/14/2012	Shop N' Save	3 Kohl's gift cards - all for needy families	125.00	
9/23/2011	Southwest Airlines	1 Round trip flight to Washington, DC	119.90	
9/23/2011	Southwest Airlines	3 Round trip flights to Houston, TX	353.70	
8/29/2012	Southwest Airlines	1 Round trip flight to Nashville, TN	108.60	
10/17/2012	Southwest Airlines	Round trip to Denver, CO	355.60	
10/17/2012	Southwest Airlines	Round trip to Denver, CO	355.60	
10/18/2012	Southwest Airlines	Unknown	10.00	
10/18/2012	Southwest Airlines	Unknown	10.00	
10/18/2012	Southwest Airlines	Unknown	10.00	
10/18/2012	Southwest Airlines	Unknown	10.00	
12/10/2012	Southwest Airlines	2 Round trip flights to Washington, DC	344.20	
1/15/2013	Southwest Airlines	5 Round trip flights to Washington, DC	529.00	
1/15/2013	Southwest Airlines	5 Round trip flights to Washington, DC	529.00	
2/26/2013	Southwest Airlines	1 Round trip flight to Florida for Marzano Conference	222.70	
2/28/2013	Southwest Airlines	1 Round trip flight to Florida for Marzano Conference	193.70	
2/28/2013	Southwest Airlines	1 Round trip flight to Florida for Marzano Conference	193.70	
3/6/2013	Southwest Airlines	4 Round trip flights to Florida for Marzano Conference	719.20	
4/18/2013	Southwest Airlines	7 Round trip flights to Florida for Marzano Conference	1,323.70	
4/19/2013	Southwest Airlines	1 Round trip flight to Dallas, TX	181.80	

Appendix C

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation - Alphabetical by Vendor

Transaction			
Date	Vendor	Item/Purpose	Amount
6/4/2013	Southwest Airlines	2 Round trip flights to Houston, TX	169.60
7/10/2013	Southwest Airlines	12 Round trip flights for Promising Practice Conference Washington, DC	1,161.60
10/8/2013	Southwest Airlines	Flights	147.30
10/8/2013	Southwest Airlines	Unknown	25.00
10/14/2013	Southwest Airlines	1 Round trip flight for Promising Practice Conference Washington, DC	383.80
1/23/2014	Southwest Airlines	Unknown	25.00
2/6/2012	Spectators	Gratuity	2.86
10/18/2012	St. Anthony's Gift Shop	Plants	32.00
3/10/2014	St. Louis Sports Zone	Gratuity	17.53
9/30/2011	Subway	Food	40.90
1/5/2012	Subway	Food	14.90
3/24/2012	Subway	Food	54.72
7/12/2012	Subway	Food	15.07
12/3/2012	Subway	Food	22.10
4/26/2013	Subway	Food	13.79
9/22/2011	Sunny Street Café	Food	230.00
9/22/2011	Sunny Street Café	Food	88.00
5/29/2014	Sunny Street Café	Food	21.52
2/16/2014	Super Park Lot A	Parking	84.00
1/8/2012	Survey Monkey	Unknown	200.00
2/12/2014	Swing Door	Gratuity	3.53
9/17/2013	Taco Bell	Food	19.16
10/19/2013	Taco Bell	Food	13.40
6/10/2011	Tan-Tar-A Resort	Unknown	329.73
6/5/2011	Target	Stopwatch, balloons, and 3 clipboards	53.56
12/13/2011	Target	Nikon camera and Lexmark SD card	674.90
12/15/2011	Target	Nikon camera, USB, and batteries	146.15
1/28/2012	Target	Nikon camera	270.82
10/2/2012	Target	Batteries, phone case, and screen cover	71.44
12/2/2012	Target	Food	26.79
12/2/2012	Target	4 Entertainment cards - all for needy families	100.00
12/19/2012	Target	Unknown	101.23
12/27/2012	Target	Food, home items, and stationery	195.04

Appendix C

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation - Alphabetical by Vendor

Transaction				
Date	Vendor	Item/Purpose	Amount	
1/10/2013	Target	Phone charger and 2 cards	25.21	
6/12/2013	Target	Drinks	58.06	
2/11/2014	Tenn Cab Taxi 39	Gratuity	1.25	
5/4/2012	Tequila Mexican	Food	13.11	
4/18/2012	Terrazza Grill	Food	34.20	
9/7/2012	Terrazza Grill	Food	27.85	
1/18/2013	Terrazza Grill	Gratuity	5.59	
1/18/2013	Terrazza Grill	Food	2.90	
3/14/2013	Terrazza Grill	Gratuity	6.50	
3/14/2013	Terrazza Grill	Gratuity	6.82	
3/14/2013	Terrazza Grill	Food	27.85	
3/14/2013	Terrazza Grill	Food	1.89	
5/22/2013	Terrazza Grill	Food	41.70	
8/6/2013	Terrazza Grill	Gratuity	4.75	
8/6/2013	Terrazza Grill	Food	1.91	
10/3/2013	Terrazza Grill	Gratuity	4.44	
3/7/2014	Terrazza Grill	Food	21.65	
4/17/2014	Terrazza Grill	Gratuity	7.94	
4/17/2014	Terrazza Grill	Food	13.55	
10/19/2013	TGI Friday's	Food	35.50	
2/3/2014	TGI Friday's	Food	125.54	
8/16/2013	The Dough Depot	Lunch	121.46	
4/30/2013	The Pasta House	Food	96.80	
5/6/2013	Things Remembered	Personalized watch and diver watch	265.00	
5/10/2013	Things Remembered	8 Personalized pens	207.92	
5/28/2013	Things Remembered	Retirement gifts	187.98	
2/7/2014	Things Remembered	2 Watches	235.99	
2/16/2014	Tootsies Nashville Airport	Food	62.00	
8/14/2012	Trotter Photo	2 Photo booths	800.00	
11/22/2013	Viviano's Festa Italian	Food	272.63	
5/23/2011	Walgreens	Card and gift wrap	32.17	
9/30/2011	Walgreens	Candy	53.14	

Appendix C

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation - Alphabetical by Vendor

Transaction Date	Vendor	Item/Purpose	Amount
12/13/2011	Walgreens	4 Chick-fil-A gift cards, Applebee's gift card, 3 Buffalo Wild Wings gift cards, Subway gift card, and 2 Burger King gift cards - all for needy families	204.01
3/7/2012	Walgreens	Candy and cards	43.05
4/17/2012	Walgreens	Photos	106.94
9/28/2012	Walgreens	Water and candy	45.27
11/7/2012	Walgreens	Sympathy card	4.00
11/7/2012	Walgreens	5 \$25 Darden gift cards	125.00
1/24/2013	Walgreens	Candy and drinks	51.04
4/22/2013	Walgreens	4 Cards and gift wrap	19.98
5/7/2013	Walgreens	4 Greeting Cards	15.13
5/7/2013	Walgreens	Champs Sports gift card, 4 Macy's gift cards, and 4 Bass Pro gift cards	500.00
11/11/2013	Walgreens	Greeting cards and water	7.09
11/11/2013	Walgreens	5 Brinker gift cards	125.00
11/26/2013	Walgreens	Red Lobster gift card, 2 Macy's gift cards, 4 Buffalo Wild Wings gift cards, 2 Best Buy gift cards, and 1 Subway gift card - all for needy families	330.00
3/27/2014	Walgreens	Tampons	22.98
6/8/2011	Walmart	3 Golf balls	32.35
6/8/2011	Walmart	8g iPod touch, Wii, 2 iHomes, golf balls, cards, and gift wrap	670.78
8/12/2011	Walmart	Power drinks and snacks	158.55
10/25/2011	Walmart	Note pad, candy, card reader, and garbage bags	76.57
11/15/2011	Walmart	3 Phone cases, 4 screen covers, batteries, charges, and air freshener	194.97
3/25/2012	Walmart	Power kit and 2 screen protectors	54.46
4/28/2012	Walmart	Food	41.48
5/16/2012	Walmart	Gatorade, water, disposable plates and utensils, chips, and condiments	127.96
5/31/2012	Walmart	Chili's gift card and 2 Pizza Hut gift cards	85.00
6/4/2012	Walmart	Screen protector, 2 phone cases, golf balls, backpack, candy, 4 conditioners, shampoo, 22" TV, camera, and 8G iPod touch	908.44
6/4/2012	Walmart	2 Pizza Hut gift cards	60.00
7/19/2012	Walmart	Gatorade and cups	57.25
8/31/2012	Walmart	15 Rain ponchos	53.80
11/9/2012	Walmart	Food	32.20
11/9/2012	Walmart	3 Walmart gift cards, 4 Buffalo Wild Wings gift cards, preloaded MasterCard, 4 Burger King gift cards, 2 Taco Bell gift cards, and 3 Subway gift cards - all for needy families	620.44

Appendix C

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation - Alphabetical by Vendor

Transaction				
Date	Vendor	Item/Purpose	Amount	
12/1/2012	Walmart	Cups and napkins	12.38	
12/17/2012	Walmart	Ribbon	33.37	
4/29/2013	Walmart	Paper products	117.45	
5/9/2013	Walmart	Drinks and candy	8.83	
5/16/2013	Walmart	Food, drinks, and table covers	147.89	
5/16/2013	Walmart	Food	22.30	
5/21/2013	Walmart	Kitchen utensils, lighters, one use camera, 4 mugs, sunscreen, conditioner, and shampoo	116.90	
5/21/2013	Walmart	4 Subway gift cards and 2 Taco Bell gift cards	90.00	
6/27/2013	Walmart	2 Disposable cameras and drinks	63.45	
9/12/2013	Walmart	Cups, foil, freezer bags, chips, plates, and napkins	73.37	
9/19/2013	Walmart	Balloon, candy, and cookies	106.94	
10/2/2013	Walmart	Charcoal, lighter, lighter fluid, kitchen utensils, napkins, table cloths, plates, and forks	132.00	
10/16/2013	Walmart	Apples, storage bag, candy, spoon, garlic press, disposable cutlery, cups, paper towels, jerky, and drinks	195.98	
10/21/2013	Walmart	2 Phone sleeves, phone accessories, wipes, earbuds, and screen protector	184.90	
11/11/2013	Walmart	Food	106.18	
12/11/2013	Walmart	Christmas wrap, gift boxes, and batteries	101.82	
12/19/2013	Walmart	Food	89.62	
2/10/2014	Walmart	Candy, calculator, turkey jerky, and valentine cards	238.07	
2/10/2014	Walmart	2 Subway gift cards, 2 Itunes gift cards, 2 Buffalo Wild Wings gift cards, and 10 Walmart gift cards - all for needy families	1,180.00	
4/11/2014	Walmart	Drinks, cups, and napkins	152.00	
5/8/2014	Walmart	Drinks, BBQ fixings, chips, and cookies	187.92	
5/20/2014	Walmart	Water, plates, softballs, sunscreen, insect repellent, and bag	236.64	
7/13/2012	Weber's Front Row Grill	Food	161.25	
1/9/2013	Weber's Front Row Grill	Gratuity	13.64	
2/13/2013	Weber's Front Row Grill	Food	133.07	
4/10/2013	Weber's Front Row Grill	Gratuity	8.07	
5/8/2013	Weber's Front Row Grill	Gratuity	21.74	
8/21/2013	Weber's Front Row Grill	Gratuity	10.23	
8/21/2013	Weber's Front Row Grill	Food	8.31	
9/30/2013	Weber's Front Row Grill	Gratuity	14.98	
9/30/2013	Weber's Front Row Grill	Food	9.84	

Appendix C

Fox C-6 School District

Supporting Documentation of Improper and Questionable Purchases and Transactions Lacking Documentation - Alphabetical by Vendor

Transaction				
Date	Vendor	Item/Purpose	Amount	
10/9/2013	Weber's Front Row Grill	Gratuity	4.43	
12/12/2013	Weber's Front Row Grill	Gratuity	15.68	
1/15/2014	Weber's Front Row Grill	Gratuity	9.02	
4/9/2014	Weber's Front Row Grill	Gratuity	6.84	
4/23/2014	Weber's Front Row Grill	Unknown	296.45	
5/14/2014	Weber's Front Row Grill	Food	176.87	
5/14/2014	Weber's Front Row Grill	Food	106.66	
1/24/2012	Wendy's	Food	18.00	
11/9/2013	Wendy's	Food	20.87	
10/14/2013	Wireless Freedom	Replace glass and LCD in phone	422.82	
		Total	\$ 96,742.53	



Office of Missouri State Auditor
Nicole Galloway, CPA

**Monthly Report on Municipal
Court and Revenue Filings
April 2016**

Monthly Report on Municipal Court and Revenue Filings

April 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this compilation is to report the filing status for the cities, towns, and villages with an October 31, 2015, fiscal year end, that were required to file a financial report by April 30, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030, and, when applicable, a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180. The filing status for these 14 cities, towns, and villages is presented in summary on page 3 and by individual entity in Appendix A. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them.

Section 479.362, RSMo, provides that the State Auditor's Office (SAO) notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the addendum provision of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, and will not be transmitting any information related to the addendum under Section 479.359, RSMo, to the Department of Revenue.

This report also includes the updated filing status for cities, towns, and villages that filed at least one of the items (financial report, addendum, or certification) in April 2016, after their filing deadline. The filing status for these 29 cities, towns, and villages is presented in summary on page 3 and by individual entity in Appendix B, Appendix C, and Appendix D

Nicole R. Galloway, CPA
State Auditor

The following staff participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
General Counsel: Paul Harper, JD
Senior Analyst: Dana Wansing, MPA

Monthly Report on Municipal Court and Revenue Filings

April 2016

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359.1, RSMo, effective August 28, 2015, requires every county, city, town, and village to annually calculate the percentage of its annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations.

Section 479.359.3 provides that all municipalities file an addendum to the annual financial report containing (1) annual general operating revenue; (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations; and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the provisions of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, but has identified entities filing addendums.

Section 479.360, RSMo, effective August 28, 2015, requires every county, city, town, and village that operates a municipal court to file with its annual financial report a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. 15 CSR 40-3.180 provides the procedure to file the municipal court certification. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

This report includes the filing status for the 14 cities, towns, and villages with a fiscal year end of October 31, 2015, whose financial reports or certifications were due by April 30, 2016. Of the 14 entities, 11 filed an annual financial report and 7 entities filed an addendum. A municipal court certification was filed by 7 entities and 3 entities with a municipal court judge did not file a certification. No counties had to file within the reporting period of this report.

This report also includes the filing status for 29 cities, towns, and villages that filed at least one of the items (financial report, addendum, or certification) in April 2016, after their filing deadline. Of these entities, 11 filed an annual financial report, 17 filed an addendum, and 13 filed a municipal court certification.

Appendix A

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due April 30, 2016

Fiscal Year Ended October 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Asbury	Yes	—	n/a
City of Carterville	No	—	No
City of Conway	Yes	—	Yes
City of De Soto	Yes	—	No
City of Jefferson City	Yes	Yes	No
City of Joplin	Yes	Yes	Yes
City of Maitland	Yes	Yes	n/a
City of Marcelline	No	—	n/a
City of Oregon	No	—	n/a
City of Platte City	Yes	Yes	Yes
City of Raymore	Yes	—	Yes
City of Raytown	Yes	Yes	Yes
City of Smithville	Yes	Yes	Yes
City of Webb City	Yes	Yes	Yes
Total Filed	11	7	7
Total Not Filed	3	—	3
Total N/A			4

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

n/a Entities without a municipal judge are not required to file a certification.

Appendix B

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due March 31, 2016

Filed in April 2016

Fiscal Year Ended September 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Cool Valley	Yes	—	n/a
City of Festus	Yes	—	No
City of Peculiar	**	—	Yes
City of Savannah	**	Yes	Yes
City of Sugar Creek	Yes	—	No
Total Filed	3	1	2

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by March 31, 2016

n/a Entities without a municipal judge are not required to file a certification.

Appendix C

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due February 29, 2016

Filed in April 2016

Fiscal Year Ended August 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
Town of Augusta	**	Yes	Yes
Total Filed	0	1	1

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by February 29, 2016

Appendix D
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in April 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*^	Filed Certification^
Fiscal Year Ended March 31, 2015			
City of Westphalia	** ²	Yes	n/a
Village of Pocahontas	** ²	Yes	n/a
Fiscal Year Ended April 30, 2015			
City of Palmyra	** ²	—	Yes
City of Portageville	No	—	Yes
Fiscal Year Ended June 30, 2015			
City of Chamois	Yes	—	n/a
City of Cleveland	Yes	***	n/a
City of Diamond	**	** ¹	Yes
City of Fayette	Yes	Yes	Yes
City of Gideon	Yes	Yes	Yes
City of Greenfield	***	*** ¹	Yes
City of Hartville	Yes	**	**
City of Holcomb	No	Yes	Yes
City of Houston Lake	Yes	Yes	Yes
City of Mindenmines	**	Yes	n/a
City of Rosebud	** ²	Yes	Yes
City of Sparta	Yes	Yes	Yes
Village of Aullville	Yes	—	n/a
Village of Blodgett	***	Yes	n/a
Village of Blue Eye	**	Yes	n/a
Village of Brumley	***	Yes	n/a
Village of Evergreen	No	Yes	n/a
Village of Stark City	** ²	Yes	n/a
Village of Weatherby	**	Yes	n/a
Total Filed	8	15	10

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

^ 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the SAO addendum and certification forms by cities, towns, or villages with a fiscal year end before August 28, 2015.

** Filed by December 31, 2015

*** Filed after December 31, 2015, but before April 1, 2016.

1 The percent was calculated and presented in the financial report or separate document (not the SAO addendum form) or the entity indicated no court revenues were received.

2 Filed before August 28, 2015.

n/a Entities without a municipal judge are not required to file a certification.



Office of Missouri State Auditor
Nicole Galloway, CPA

Twenty-First Judicial Circuit
City of Bella Villa
Municipal Division

Report No. 2016-033

June 2016

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Bella Villa Municipal Division

Accounting Controls and Procedures	The municipal judge and city personnel do not perform adequate reviews of accounting functions and records of the municipal division's only employee. The division does not always deposit monies collected timely, and the court administrator does not prepare monthly lists of liabilities for comparison to the reconciled bank account balance. As a result, liabilities are not adequately reviewed to ensure bonds and other monies are disbursed timely. The police department and municipal division do not work together to account for the numerical sequence of bond forms issued. The court administrator does not periodically review accrued fines, costs, and restitution owed to the division and payment plans are not created for all unpaid amounts, as required by court operating rules.
Municipal Division Procedures	The division does not file monthly reports of cases heard with the city, preventing the city from effectively monitoring division activity and ensuring monies are properly remitted. The division also lacks adequate procedures to ensure case activity is accurately recorded in the case management system for all cases filed against the same defendant, increasing the risk that cases could be overlooked or improperly handled. Of 60 cases reviewed, statuses for 40 cases were not adequately documented. The prosecuting attorney did not file an information (a document charging a defendant with a violation) with the division for the prosecution of failure to appear ordinance violations, and his approval to file charges on traffic tickets is not always clearly documented. The division also does not periodically review user access to the case management system to ensure access rights remain appropriate. Auditors identified two accounts of former employees that remained active.
Monitoring of Excess Revenues	The city failed to accurately calculate excess revenues due to the Missouri Department of Revenue (DOR) for the fiscal year ended June 30, 2015, and had not made any payments as of April 21, 2016. Auditors identified several mistakes in the city's calculations, but system coding errors prevented auditors from determining precisely how much the city owes to the DOR.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Twenty-First Judicial Circuit

City of Bella Villa Municipal Division

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Twenty-First Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Bella Villa, Missouri

We have audited certain operations of the City of Bella Villa Municipal Division of the Twenty-First Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo, and as part of the State Auditor's Municipal Courts Initiative. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2015. The objectives of our audit were to:

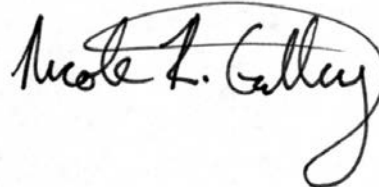
1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Bella Villa Municipal Division of the Twenty-First Judicial Circuit.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
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Twenty-First Judicial Circuit

City of Bella Villa Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. The court uses an automated case management system known as the Justice Information System (JIS) provided by the Office of State Courts Administrator (OSCA). The JIS indicates fines, court costs, bonds, and restitution collected during the year ended June 30, 2015, totaled approximately \$405,000.

1.1 Oversight

Neither the Municipal Judge nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. Proper segregation of duties within the municipal division is not possible because the Court Administrator is the only employee. Additionally, for approximately 5 months during the audit period, the Court Administrator also served as the city clerk and was responsible for all accounting functions of the city.

The Court Administrator is responsible for all duties related to collecting, recording, and depositing monies, posting fines and court costs into the JIS, disbursing monies, preparing financial reports, performing bank reconciliations, and posting manual case information into the JIS. In addition, cash bonds collected by the police department or other political subdivisions are transmitted to the Court Administrator for recording in the JIS and deposit. Neither the Municipal Judge nor other city personnel independent of the cash custody and record-keeping functions provides an adequate independent or supervisory review of the work performed by the Court Administrator.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented supervisory or independent reviews of accounting records and electronic case information.

1.2 Deposits

The municipal division does not always deposit monies collected timely. During our review of monies collected in September 2014, April 2015, and September 2015, collections were typically deposited once a week, and some cash receipts were held up to 11 days before being deposited.

Failure to deposit collections timely increases the risk of loss, theft, or misuse of monies going undetected. Section IV.C of Bella Villa Municipal Court Operating Order Number 1 requires the Court Administrator to deposit municipal division receipts on a daily basis, or when the amount on hand reaches \$100.

1.3 Bank reconciliations

The former Court Administrator did not reconcile the bank account timely and did not follow up on reconciling items identified. These items are carried forward from month to month and appropriate adjustments are not made to financial records timely. In addition, the Court Administrator did



Twenty-First Judicial Circuit
City of Bella Villa Municipal Division
Management Advisory Report - State Auditor's Findings

not print and retain a listing of outstanding checks when preparing the monthly bank reconciliations. When we started the audit in October 2015, the current Court Administrator had not performed monthly bank reconciliations since being hired in August 2015 because she said she had not received training. As of January 2016, with the assistance of the OSCA, bank reconciliations through December 2015 have been performed.

Monthly bank reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded and errors or discrepancies are detected and corrected timely. Complete documentation of the reconciliations, reconciling items, and outstanding checks should be maintained to support conclusions and corrections and to facilitate independent reviews.

1.4 Liabilities

The Court Administrator does not generate monthly lists of liabilities for comparison to the reconciled bank account balance, and consequently, liabilities are not adequately reviewed to ensure bonds and other monies are disbursed timely. The Court Administrator was not aware the JIS could print a list of liabilities until we discussed this issue with her.

Monthly reconciliations between liabilities and the reconciled bank account balance are necessary to ensure records are in balance, errors are detected and corrected timely, and sufficient funds are available for payment of all liabilities. In addition, monthly lists of liabilities are necessary to ensure all bond dispositions have been properly recorded. To properly monitor bonds and ensure the appropriate disposition of monies, procedures should be implemented to routinely investigate bonds remaining on the liabilities list over a specified period of time.

1.5 Bond procedures

The police department and the municipal division do not work together to account for the numerical sequence of bond forms issued. Bond forms, while prenumbered, are not issued in numerical sequence because both the Court Administrator and the police department issue them. While the police department prepares a log of all bonds collected, the bond form numbers are not documented on this log and bond forms issued by the Court Administrator are not recorded on any log. As a result, it is not possible to account for the numerical sequence of bond forms issued.

To reduce the risk of loss, theft, or misuse of bond monies received, and to provide assurance all bond monies are accounted for properly, procedures are necessary to account for the numerical sequence of bond forms issued.

1.6 Accrued costs

The Court Administrator does not periodically review accrued costs owed to the municipal division, including fines and court costs, incarceration costs, and court-ordered restitution. In addition, the municipal division has not created payment plans for all amounts not paid in full at case disposition.



Twenty-First Judicial Circuit
City of Bella Villa Municipal Division
Management Advisory Report - State Auditor's Findings

The municipal division accepts partial payments from defendants; however, formal payment plans are not documented, signed by the defendant, or established in the JIS as required by court operating rules. The JIS tracks accrued costs and can produce a report of balances due; however, the Court Administrator does not print and review this report to identify cases that need additional collection efforts or are potentially uncollectible. As of October 23, 2015, accrued costs related to 1,949 cases totaled approximately \$167,000 in the JIS.

Proper and timely monitoring of receivables is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for non-payment. In addition, proper monitoring is necessary to provide necessary information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible. Missouri Supreme Court Operating Rule 21 requires all courts using the JIS to participate in the tax offset and debt collection programs and requires the municipal division to create payment plans in the JIS for all amounts not paid in full at case disposition. Payment agreements signed by the defendant formalize the liability to the municipal division and could aid in the collection process.

1.7 Change fund

The municipal division change fund is not maintained at a constant amount. A cash count of the change fund on October 5, 2015, totaled \$80.01. The Court Administrator indicated the change fund should have been maintained at a constant amount of \$100. The shortage occurred because she was using the change fund to cover small differences between the amounts paid and amounts posted in the system and deposited.

To safeguard against possible loss, theft, or misuse of funds, change funds should be maintained at a constant amount and the funds should be periodically counted and reconciled to the authorized balance by an independent person.

Recommendations

The City of Bella Villa Municipal Division:

- 1.1 Ensure independent reviews are performed of accounting records and electronic case records.
- 1.2 Ensure receipts are deposited timely.
- 1.3 Perform monthly bank reconciliations, resolve reconciling items, and make appropriate adjustments to accounting records timely.
- 1.4 Prepare monthly lists of liabilities and reconcile the lists to the bank balance, promptly investigate and resolve differences.



Twenty-First Judicial Circuit
City of Bella Villa Municipal Division
Management Advisory Report - State Auditor's Findings

- 1.5 Work with the police department to establish procedures to account for the numerical sequence of all bond forms issued.
- 1.6 Establish procedures to routinely generate and review the accrued costs list, obtain signed payment plans from all defendants, and ensure payment plans are established in the JIS in accordance with court operating rules.
- 1.7 Maintain the change fund at a constant amount and periodically count and reconcile the monies on hand to the authorized balance.

Auditee's Response

- 1.1 *Implemented. The city has now hired adequate staff to perform court duties pursuant to orders and duties of the Court Administrator, which had been fully outlined by the Municipal Judge prior to the audit period. The city has also hired a CPA to periodically audit the city accounts to assure that all funds have been properly deposited and reconciled. The Municipal Judge had in place orders and those orders remain in place outlining specific duties of the Court Administrator and the Judge will monitor that his orders are carried out going forward. It is important to note that no monies have been determined to be missing or unaccounted for during the audit period.*
- 1.2 *Implemented. Deposits are now made for receipts which exceed \$100 or more for any cashier's session; the session is closed, a deposit is created and taken to the bank.*
- 1.3 *Implemented. The Court Administrator, with the assistance of the OSCA, has brought all bank reconciliations up to date and bank reconciliations will be performed timely going forward.*
- 1.4 *Implemented. The Court Administrator now prints the list of liabilities for the division, reconciles, and the Mayor reviews and initials after review.*
- 1.5 *Implemented. Bonds are to be now kept in a central location and a log is maintained, which will be used to account for the numerical sequence of bond forms issued.*
- 1.6 *Implemented. Payment agreements were and always have been available through the court; written agreements were available prior to the audit period. Due to the volume of work placed on the Court Administrator during the audit period, oral agreements to continue payments were used rather than written. Written agreements are now executed at the time of the first payment due for the balance or partial balance of the fine. In the event a*



Twenty-First Judicial Circuit
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Management Advisory Report - State Auditor's Findings

defendant cannot pay, the court has made community service available.

1.7 *Implemented. The change fund has been restored to \$100 and is being maintained at that level.*

2. Municipal Division Procedures

Procedures related to reporting of cases heard, municipal division records, Prosecuting Attorney approval, and review of user accounts need improvement.

2.1 Report of cases heard

The municipal division does not file a monthly report of cases heard with the city. Without such a report, the city cannot effectively monitor municipal division activity and ensure monies are properly remitted.

Section 479.080.3, RSMo, and Supreme Court Operating Rule 4.29 require the Court Administrator to prepare a monthly report of all cases heard in the court, including the names of the defendants and fines and court costs imposed, to be verified by the Court Administrator or Municipal Judge and filed with the city.

2.2 Municipal division records

The municipal division does not have adequate procedures to ensure accurate recording of case activity through final disposition in the JIS.

For each case filed with the municipal division, the Court Administrator prepares a backer sheet in the manual case file as well as a computerized docket sheet in the JIS. However, if multiple cases are filed on the same defendant, the Court Administrator bundles these cases together in the manual case file and enters the case activity (court continuances, warrant, and/or bond activity) and a future court date into the case management system for the first case filed only. The failure to record case activity and future court dates on the remaining cases causes them to become suspended in the JIS. When case activity is suspended, the case no longer appears on future dockets and could result in these cases being overlooked or improperly handled.

In our review of 60 pending cases, we determined the status of 40 cases was not adequately documented in the JIS because the defendants had multiple cases and ongoing case activity was only recorded for the first case filed. Although none of these manual case files were missing, these 40 cases would not appear on future dockets.

Accurate recording of the status and disposition of cases in the JIS is necessary to ensure cases are processed properly and to reduce the possibility of loss, theft, or misuse of funds.



Twenty-First Judicial Circuit
City of Bella Villa Municipal Division
Management Advisory Report - State Auditor's Findings

2.3 Prosecutor approval

The Prosecuting Attorney did not file an information with the municipal division for the prosecution of failure to appear (FTA) ordinance violations and the Prosecuting Attorney's approval to file charges on traffic tickets is not always clearly documented.

Our review of 60 cases filed with the municipal division during the year ended June 30, 2015, included 6 FTA ordinance violation cases. None of the 6 cases included an information signed by the Prosecuting Attorney charging the defendant with an ordinance violation. In addition, the Prosecuting Attorney allows the Court Administrator to maintain and use his signature stamp on traffic tickets paid through the Violation Bureau (VB). We noted 4 tickets had no signature, facsimile signature, or other approval notification and 1 ticket requiring a court appearance (not payable through the VB) contained the Prosecuting Attorney's facsimile signature. There is no indication tickets stamped with the facsimile signature are reviewed or approved by the Prosecuting Attorney.

The ability of the Court Administrator to apply the Prosecuting Attorney's signature by facsimile stamp without a review by the Prosecuting Attorney is a significant control weakness, and increases the likelihood of tickets being handled improperly and the risk of loss, theft, or misuse of monies going undetected. Missouri Supreme Court Rules 37.34 and 37.35 state all ordinance violations shall be prosecuted by information, be in writing and signed by the prosecutor, and filed with the municipal division. The Prosecuting Attorney's review, documented with his signature, is needed to provide assurance proper cases and charges are filed with the municipal division.

2.4 Periodic review of user accounts

The municipal division does not periodically review user access to data and other information in the JIS to ensure access rights remain appropriate. Access to JIS was not removed timely upon employee termination.

We obtained a data file from the OSCA of user accounts having access to the JIS as of October 22, 2015. This report showed 2 former municipal division employees continued to have access to the JIS. These former employees left employment in May 2015 and August 2015.

Without effective procedures to periodically review and remove user access, terminated employees could continue to have access to confidential data or other sensitive resources.

Recommendations

The City of Bella Villa Municipal Division:

- 2.1 Ensure a monthly report of cases heard in the municipal division is prepared and filed with the city in accordance with state law and the Supreme Court Operating Rule.



Twenty-First Judicial Circuit
City of Bella Villa Municipal Division
Management Advisory Report - State Auditor's Findings

- 2.2 Ensure case activity is recorded in the JIS for all associated cases and sufficient documentation is maintained to support all case actions.
- 2.3 Ensure a citation or information signed by the Prosecuting Attorney is filed for each ordinance violation to be prosecuted. In addition, the municipal division should ensure all tickets processed have been reviewed and approved by the Prosecuting Attorney and include his signature.
- 2.4 Ensure all user access to the JIS is periodically reviewed and unnecessary access, including that of terminated users, is removed timely.

Auditee's Response

- 2.1 *To be implemented. The Court Administrator has been advised of a report available within the case management system to present to the city for review of case activity for the preceding month as well as the monies received in a summary form. Information regarding court operation has always been available at the request of the Board or Mayor; no such request was made to the Municipal Judge for any information during the audit period. Information shall be forwarded by the Court Administrator for review of the Judge, Mayor, Prosecutor, and Board on a monthly basis.*
- 2.2 *Implemented. The current Court Administrator has been recording activity on all files consistently since her hiring and will continue to do so going forward.*
- 2.3 *Implemented. The Prosecutor has developed a system of documented communication with the court whereby he will approve all charges filed with the court. The Municipal Judge signed an order on August 28, 2015, directing that no further FTA charges be issued and dismissing all pending FTA charges.*
- 2.4 *Implemented. Only authorized users now have access to JIS at this time and this will be periodically monitored going forward. It is important to note that there is no evidence that any unauthorized user attempted to access the Bella Villa JIS account during the audit period. Efforts by resigning Court Administrators to terminate their access to JIS were attempted prior to their exit from employment without success.*

3. Monitoring of Excess Revenues

Procedures related to the calculation of excess revenues due the Missouri Department of Revenue (DOR) are not adequate to ensure compliance with state law. While the city calculated excess revenues due to the DOR for the year ended June 30, 2015, the city's calculation did not include certain items



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City of Bella Villa Municipal Division
Management Advisory Report - State Auditor's Findings

required to be included in the traffic violation revenue total. Also, the city's general operating revenue calculation improperly included revenues restricted for specific purposes. As a result, the city's calculations do not accurately assess the excess revenues owed to the DOR.

The city's excess revenue calculation for the year ended June 30, 2015, indicates the city's 2015 revenues from traffic violations totaled \$281,829, general operating revenues totaled \$630,098, and the percent of general operating revenues from traffic revenues equaled 44.73 percent, which exceeds the 30 percent the city is allowed to retain. Based on this calculation, the city determined it owed \$92,800 in excess revenues to the DOR, but had not made any payments as of April 21, 2016.

Our review of documentation supporting the city's calculation indicated the total general operating revenue reported by the city for use in its excess revenue calculation is misstated. The city included \$112,912 in restricted revenues from state motor vehicle taxes and fees, capital improvement sales tax, sewer lateral fees, and restricted police training funds in the total general operating revenue amount reported. These restricted revenues should be excluded from the current year general operating revenues used in the calculation of excess revenues due the DOR.

Additionally, the revenues from traffic violations reported by the city in its excess revenue calculation were not accurate. Traffic violation revenues totaling \$281,829 reported by the city included only the fines related to tickets coded as traffic violations, improperly excluded unrestricted court costs totaling \$45,076 collected on those cases, and was taken from a report that overstated the fine amount by \$30,606 because it did not exclude voided transactions and other adjustments.

The municipal division utilizes unique codes when entering case dispositions in the JIS to identify and later summarize traffic violation cases for use by the city in the excess revenue calculation. Our review of court records identified issues with the use of the codes. During the audit period, a unique code had not been established to separately identify court costs collected on traffic violation cases. As a result, the summary of traffic violation revenues only included the fines on the applicable cases. Also, it appears many violations coded as traffic violations and included in the total for traffic violation revenues did not actually meet the definition of a traffic violation. The municipal division coded all moving and non-moving violations as traffic violations. However, under state law as it existed prior to August 28, 2015, revenues from most non-moving violations, except for those related to tickets amended from a moving violation, could have been excluded. Our review of a sample of 60 tickets noted 14 of the 39 cases with fines assessed (36%) were for non-moving violations not required to be



Twenty-First Judicial Circuit
City of Bella Villa Municipal Division
Management Advisory Report - State Auditor's Findings

included in traffic revenue, however, due to the court's coding actions assessed fines were improperly classified as traffic violation revenue.

The errors in applying the codes make it likely that the fines included in the reported traffic violation revenues are overstated. In addition, since the codes were only linked to the fines and not the related court costs, the court is unable to currently identify the portion of the \$45,076 in unrestricted court costs that may relate to non-traffic violation cases that could also be excluded from the calculation. As such, we included all revenues from unrestricted court costs in the calculation shown in the table below.

Based on the municipal division's procedures for identifying traffic violation revenue to be used in the excess revenue calculation, the following table identifies the amount to be remitted to the DOR for excess revenue for the fiscal year ended June 30, 2015, after excluding restricted revenues and revising traffic revenue reported.

	Year Ended June 30, 2015
City Calculated General Operating Revenues	\$ 630,098
Less Restricted Revenues:	
Capital Improvement Sales Tax	(49,006)
Motor Vehicle Sales Tax and Fees	(8,967)
Motor Fuel Tax	(19,265)
Road and Bridge	(8,531)
Sewer Lateral Fees	(15,225)
Law Enforcement Training	(7,282)
POST Training	(4,636)
General Operating Revenues	517,186
30 Percent of General Operating Revenues	155,156
 City Calculated Traffic Violation Revenues	281,829
Plus Court Costs (1)	45,076
Less Overstatement in Traffic Violation fines (2)	(30,606)
Fines and Court Costs from Traffic Violations	296,299
 Excess Revenues	141,143
Amount Remitted to the DOR	0
Remaining Amount Due the DOR (3)	\$ 141,143

(1) Includes all costs, fees and surcharges not designated by statute for specific purposes retained by the city. The court does not have procedures to separately identify only those costs collected for traffic violations; therefore, all court costs retained by the city are included.

(2) Traffic violation revenue reported by the city was obtained from a JIS report which totaled all fine transactions coded as traffic violations during fiscal year 2015. This report overstates fines collected from traffic violations because it includes voided transactions and other adjusting entries and does not accurately reflect traffic fine collections distributed to the city during fiscal year 2015.

(3) Amount due could be significantly lower if excludable tickets and related court costs were identified and removed from the calculation of traffic violation revenues.



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City of Bella Villa Municipal Division
Management Advisory Report - State Auditor's Findings

Section 302.341, RSMo, (as it existed from August 28, 2013, to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations in their annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR.

Effective August 28, 2015, Senate Bill 5 changes the requirements regarding excess revenues. Section 479.350, RSMo, provides new definitions for elements of the excess revenue calculation. Section 479.359.1, RSMo, requires cities to annually calculate the percent of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations and send the excess revenues to DOR. Section 479.359.2, RSMo, reduces the amounts of these revenues the city may retain in the future.

Due to the impact of these provisions on operations of the municipal division and the city it is important the city and its municipal division take immediate action to implement policies and procedures to ensure future compliance with state law.

Recommendation

The City of Bella Villa Municipal Division work with the city to ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues and court revenues in the calculations. In addition, the Board of Aldermen should recalculate excess revenues for fiscal year 2015, maintain documentation to support the calculations, and make appropriate payments to the DOR for any excess revenues identified.

Auditee's Response

The City of Bella Villa, is in the process of securing and collating the necessary data and reports from the JIS to calculate and determine what monies were due to the DOR representing excess revenue during the fiscal year ended June 30, 2015. There was a question as to the proper amount to be paid due to a challenge to the constitutionality of what has become known as Senate Bill 5. Regardless, the city will remit payment to the DOR within 60 days based upon additional reports provided.

Twenty-First Judicial Circuit

City of Bella Villa Municipal Division

Organization and Statistical Information

The City of Bella Villa Municipal Division is in the Twenty-First Judicial Circuit, which consists of St. Louis County. The Honorable Maura B. McShane serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. The municipal division utilizes OSCA's statewide automated case management system known as JIS.

Personnel

At June 30, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	William G. Buchholz
Court Administrator	Betty Rizos

Financial and Caseload Information

	Year Ended June 30, 2015
Receipts	\$405,349
Number of cases filed	4,593

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee) ¹	\$ 12.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelter	2.00
Court Automation Fee	7.00

¹ Beginning in April 2015, the municipal division began allocating \$1 of the Court Costs to the Appointed Counsel Fund.



Twenty-First Judicial Circuit
City of Bella Villa Municipal Division
Organization and Statistical Information

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2014agencyreports.pdf?sfvrsn=2>. The following table presents data excerpted from the AGO report for the City of Bella Villa Police Department. In addition, see information at: <https://ago.mo.gov/home/vehicle-stops-report/2014-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

Racial Profiling Data/2014 - Bella Villa Police Department - Population 603¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	3789	3217	429	18	78	7	40
Searches	60	47	11	0	1	1	0
Arrests	58	46	11	0	0	1	0
Statewide Population	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population	N/A	92.04	1.66	3.15	1.49	0.33	1.33
Disparity Index ²	N/A	0.92	6.83	0.15	1.38	0.56	0.80
Search Rate ³	1.58	1.46	2.56	0.00	1.28	14.29	0.00
Contraband hit rate ⁴	3.33	4.26	0.00	#Num!	0.00	0.00	#Num!
Arrest rate ⁵	1.53	1.43	2.56	0.00	0.00	14.29	0.00

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#Num! indicates zero denominator



Office of Missouri State Auditor
Nicole Galloway, CPA

**Compilation of 2015 Federal
Forfeiture Reports**

Report No. 2016-034

June 2016

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Compilation of 2015 Federal Forfeiture Reports

Background	Section 513.653.1, RSMo, requires law enforcement agencies involved in using the federal forfeiture system under federal law to file a report regarding federal seizures and the proceeds received therefrom with the Department of Public Safety and the State Auditor's Office.
Reporting	For the year ended 2015, 687 law enforcement agencies were identified that may need to submit a federal forfeiture report. Of these agencies, 155 reported participation in the federal forfeiture system, 262 reported no participation in the system, and 270 did not file a federal forfeiture report. Conclusions regarding compliance cannot be made for non-reporting law enforcement agencies, as they are not required to file if they did not participate in the federal forfeiture system. The State Auditor's Office also noted some reporting inconsistencies between years for some law enforcement agencies.

Because of the nature of this compilation, no overall rating is provided.

Compilation of 2015 Federal Forfeiture Reports

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

Section 513.653.1, RSMo, requires law enforcement agencies involved in using the federal forfeiture system under federal law to file a report regarding federal seizures and the proceeds therefrom to the Department of Public Safety and the State Auditor's Office. Although Section 513.653.1, RSMo, only requires my office to receive these reports, my office has compiled the information presented to us by law enforcement agencies. The compilation is limited to presenting information that is submitted. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them, including whether or not an agency is in compliance with the statute. The primary objectives of this compilation were to:

1. Identify law enforcement agencies submitting federal forfeiture reports.
2. Summarize the information reported.

Conclusions regarding compliance cannot be made for law enforcement agencies that did not file a report, but results suggest the majority of these law enforcement agencies did not use the federal forfeiture system during 2015.

Nicole R. Galloway, CPA
State Auditor

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Compilation of 2015 Federal Forfeiture Reports

Executive Summary

Law Enforcement Agencies Required to Submit a Federal Forfeiture Report to the State Auditor's Office

Section 513.653.1, RSMo, requires law enforcement agencies involved in using the federal forfeiture system under federal law to annually file a report regarding federal seizures and the proceeds received therefrom with the Department of Public Safety (DPS) and the State Auditor's Office (SAO).

According to the U.S. Department of Justice (DOJ) publication, *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*, the DOJ Asset Forfeiture Program is "a nationwide law enforcement initiative that removes the tools of crime from criminal organizations, deprives wrongdoers of the proceeds of their crimes, recovers property that may be used to compensate victims, and deters crime." Any state or local law enforcement agency that directly participates in an investigation or prosecution resulting in a federal forfeiture may request an equitable share of the net proceeds of the forfeiture. Equitably shared funds must be used for law enforcement purposes, except as noted in the publication, and must increase or supplement the resources of the receiving law enforcement agency. In addition to reporting requirements under state law, there are also various program mandated accounting, reporting, and audit requirements. The U.S. Department of the Treasury also administers an Asset Forfeiture Program for similar purposes and with similar restrictions and requirements.

The DPS compiled a list of law enforcement agencies using information from the Peace Officer Standards and Training (POST) program and the Justice Assistance Grants (JAG) distribution lists, and notified the law enforcement agencies of the requirement to submit reports if the agencies participated in the federal forfeiture system. The notification also included the federal forfeiture report form developed by the DPS. According to DPS personnel, the list does not represent a complete list of all law enforcement agencies, but includes all law enforcement agencies with commissioned officers or drug task forces receiving funding from the DPS.

There are 690 agencies on the DPS list provided to our office. One city reported it did not have local law enforcement in 2015 (see Appendix B). In addition, the DPS indicated 2 agencies included on the list were not law enforcement agencies. Thus, these agencies were not included in the reporting status. The following table summarizes the 2015 reporting.

Reporting Status	Number	Percentage
Agencies reporting participation (Appendix A)	155	22.56 %
Agencies reporting no participation (Appendix B)	262	38.14
Number of agencies reporting	417	60.70
Number of agencies not reporting	270	39.30
Total Possible Reports	687	100.00 %



Compilation of 2015 Federal Forfeiture Reports Executive Summary

Of the 417 agencies reporting, 20 agencies failed to report to the SAO and 8 agencies failed to report to the DPS. These agencies are identified on Appendixes A and B. Reporting details are provided for all reports provided to the SAO, DPS, or both agencies.

Approximately 40 percent of the law enforcement agencies on the list did not respond and were not required to respond if they did not participate in the federal forfeiture system. The other 417 agencies submitted a report indicating their agency either did not participate in the federal forfeiture system or did participate and provided applicable reporting data.

Reporting Inconsistencies

We noted reporting inconsistencies between years for some law enforcement agencies. Eleven law enforcement agencies identified on Appendix A did not file a federal forfeiture report in 2014 but reported a beginning balance as of January 1, 2015.

A total of 270 law enforcement agencies did not file a 2015 federal forfeiture report. Five of these law enforcement agencies did not file a 2015 federal forfeiture report but reported a December 31, 2014, balance on their 2014 federal forfeiture report. These agencies are listed in Appendix C.

Conclusions regarding compliance cannot be made for non-reporting law enforcement agencies. This compilation work is not an audit and as such, no verification was performed as to whether these agencies did or did not participate in the federal forfeiture system.

Appendix A
 Compilation of 2015 Federal Forfeiture Reports
 Summary of Information Reported in the 2015 Federal Forfeiture Reports

	Name	Level of Participation by Agency Indicated on Federal Forfeiture Report				Total Value of Items Seized and Turned Over to the Federal Forfeiture System	Agency's Equitable Sharing Fund Balance and Activity			
		Not Filed by January 31st Deadline	Submitted a request for forfeited assets	Received federal sharing funds (cash)	Received federal sharing assets (non-cash)		Beginning Balance 01-01-15	Receipts	Expenditures	Ending Balance 12-31-15
1	Arnold Police Department			X		\$	17,723	63,646	5,905	75,464
2	Aurora Police Department				X		1,839			1,839 D
3	Ballwin Police Department		X	X			134,878	31,675	104,258	62,295
4	Barton County Sheriff's Office				X		7,142			7,163 A D
5	Bates County Sheriff's Office		X				0			0
6	Bellefontaine Neighbors Police Department		X	X		27,751	10,273	27,751	3,921	34,103
7	Belton Police Department		X	X			190,921	43,499	148,957	85,463
8	Berkeley Police Department		X	X			76,341	91,863	19,249	76,614 A B
9	Billings Police Department			X			4,379	4,379	4	4,375 A D
10	Bolivar Police Department				X		20,231	0	14,799	5,432 B
11	Bollinger County Sheriff's Office		X			455,680		0	0	174 A B
12	Boone County Sheriff's Office				X	12,258	62,704	5,448		59,484 A B
13	Boonville Police Department				X	0	4,162	0	0	4,162 B
14	Bourbon Police Department		X				0	0		0
15	Branson Police Department				X		24,540		2,115	22,425 B
16	Brentwood Police Department			X		113,611	6,833	113,611	35,681	84,763 C
17	Bridgeton Police Department		X	X			423,259	148,103	82,916	488,446
18	Buchanan County Drug Strike Force		X	X		41,420	5,400	110,852	6,816	99,887 A
19	Buchanan County Sheriff's Office		X	X		0	6,946	2,136	5,327	3,755
20	Buckner Police Department			X			72,504	11,411	52,565	19,939 A B
21	Butler County Sheriff's Office	SAO			X		429	0	300	129
22	Callaway County Sheriff's Office				X		8,529	53	1,808	6,774
23	Cameron Police Department				X	0	340	0	0	340
24	Cape Girardeau Police Department			X		512		355	6,289	24,083 A B
25	Caruthersville Police Department		X	X		144,922	472,506	5,952	155,266	323,192
26	Cedar County Sheriff's Office				X	0	2,780	6	0	2,786
27	Charleston Department of Public Safety				X	0	7,207	0	0	7,207 D
28	Chesterfield Police Department			X			64,321	130,627	39,723	155,225
29	Christian County Sheriff's Office		X	X		0	35,884	50,441	50,988	34,934 A B
30	Clay County Drug Task Force		X	X			10,632	77,925	29,013	59,544 C
31	Clay County Sheriff's Office		X	X	X	34,993	2,976	39,114	7,924	34,166 C

Appendix A
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	Not Filed by January 31st Deadline	Submitted a request for forfeited assets	Received federal sharing funds (cash)	Received federal assets sharing (non-cash)	None of the above		Beginning Balance 01-01-15	Receipts	Expenditures	Ending Balance 12-31-15
32 Clayton Police Department		X	X			0	22,938	206,832	122,920	106,850 B
33 Clinton Police Department					X	0	5,587	17	500	5,104
34 Cole County Sheriff's Office					X		10,870		3,995	6,875
35 Columbia Police Department		X	X				158,952	101,627	128,454	132,125
36 Combined Ozarks Multi-Jurisdictional Enforcement Team (COMET)		X	X			0	161,099	68,989	115,420	114,668
37 Creve Coeur Police Department					X		6,189	1,185	2,467	4,907 B
38 Crystal City Police Department					X		160			160
39 Dent County Sheriff's Office					X		11,694		3,590	8,104
40 East Central Drug Task Force			X			109,873	31,782	3,642	6,189	29,235
41 Eureka Police Department					X		12,077	45	4,218	7,904
42 Excelsior Springs Police Department		X	X			69,714	249,944	12,384	84,099	178,229
43 Festus Police Department					X		38,429	37	8,656	29,810 C
44 Florissant Police Department		X	X				204,095	191,793	58,759	337,129
45 Franklin County Sheriff's Office					X			5		5,102 A B
46 Fredericktown Police Department			X				711	12,984	7,848	5,136 A B
47 Fulton Police Department					X		43,358	545		43,903
48 Gasconade County Sheriff's Office					X		524		524	0 D
49 Glendale Police Department	SAO & DPS				X	0	0	0	423	0 A B
50 Grandview Police Department					X	0	16,706	104	2,753	14,057 B
51 Greene County Sheriff's Office		X	X			212,792	10,445	64,191	28,632	46,004
52 Grundy County Sheriff's Office		X	X			0	87,991	45,478	57,338	76,131
53 Hayti Police Department		X					3,730			3,730
54 Hazelwood Police Department		X	X			156,526	269,680	156,526	186,373	141,953 A
55 Hickory County Sheriff's Office					X		16,772	117	4,561	12,328 C
56 Howell County Sheriff's Office			X				14,789	277	3,000	12,066
57 Independence Police Department			X				304,141	41,719	224,453	121,407
58 Jackson County Drug Task Force		X	X				174,307	219,010	23,528	369,789
59 Jackson County Sheriff's Office		X	X				2,015	85,480	352,917	A B
60 Jackson Police Department		X	X			21,016	21,016	21,016		21,016 A D
61 Jasper County Drug Task Force		X	X			28,861	33,512	6,907		40,419

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	Not Filed by January 31st Deadline	Submitted a request for forfeited assets	Received federal sharing funds (cash)	Received federal sharing assets (non-cash)	None of the above		Beginning Balance 01-01-15	Receipts	Expenditures	Ending Balance 12-31-15
62 Jefferson City Police Department		X	X			19,280	161,760	4,284	56,685	109,359 B
63 Jefferson County Municipal Enforcement Group		X	X			0	24,855	15,768	10,837	29,786
64 Jefferson County Sheriff's Office		X	X			1,760,410	73,709	118,696	65,791	126,614
65 Johnson County Sheriff's Office					X	0	5,628	17	0	5,645 E
66 Joplin Police Department			X			9,163	87,533	158,715	15,833	230,415
67 Kansas City Board of Police Commissioners		X	X			1,937	8,322,699	432,422	569,829	8,535,003 A
68 Kansas City International Airport Police Department		X	X				161,330	66,754	21,691	206,393
69 Kirksville Police Department		X				15,500	0			0
70 Kirkwood Police Department			X			0	113,012	203,397	28,643	287,766
71 Laclede County Sheriff's Office					X		838			838
72 Ladue Police Department			X			31,977	0	31,997	31,997	0
73 Lafayette County Sheriff's Office		X	X				3,927	24,964	5,741	23,150
74 Lake Area Narcotics Enforcement Group (LANEG)		X	X				8,998	41,283	27,461	22,820
75 Lake St. Louis Police Department					X		1,679			1,679
76 Lambert-St. Louis International Airport Police Department		X					2,122,920	93,534	63,077	2,153,377
77 Lebanon Police Department					X		674			674
78 Lee's Summit Police Department			X				233,182	137,271	24,958	345,495
79 Lincoln County Sheriff's Office		X	X				84,664	115,947	81,914	118,697
80 Madison County Sheriff's Office		X				10,000	0	0	0	0
81 Manchester Police Department			X				27,636	19,551		47,187 C
82 Maplewood Police Department		X	X			0	29,215	42,899	17,822	54,292
83 Marthasville Police Department					X		27,244		26,737	507
84 Maryland Heights Police Department		X	X				488,513	70,866	134,304	425,075
85 Mid-Missouri Drug Task Force			X				0	23,754	22,227	1,527
86 Mid-Missouri Unified Strike Team and Narcotics Group (MUSTANG)		X	X			26,602	246,961	8,040	53,420	201,581
87 Mineral Area Drug Task Force					X	0	(80,000)	0	0	(80,000) B
88 Missouri State Highway Patrol		X	X			44,492	708,193	336,331	370,011	376,287 A
89 Moberly Police Department					X		4,321		14,992	4,321 A B
90 Morgan County Sheriff's Office		X	X				0	37,354	37,354	0

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		Not Filed by January 31st Deadline	Submitted a request for forfeited assets	Received federal sharing funds (cash)	Received federal sharing assets (non-cash)		Beginning Balance 01-01-15	Receipts	Expenditures	Ending Balance 12-31-15
91	Multi-County Narcotics and Violent Crimes Enforcement Unit		X	X		279,517	51,323	82,381	104,495	29,209 B
92	Municipal Enforcement Group Against Drug Abuse (MEGADA)				X		27,872	10	27,882	0
93	New Madrid County Sheriff's Office			X		0	4,479	842		5,321 D
94	Newton County Sheriff's Office		X				17,181	16	12,500	4,697
95	Normandy Police Department				X		15,008		1,000	15,008 A B
96	North Kansas City Police Department			X		2,223	2,223	2,223	2,223	0 A D
97	North Missouri Drug Task Force				X		26,646	67		28,796 A B
98	Northeast Missouri Narcotics Task Force		X	X			8,601	17,001	5,720	19,882
99	Northwoods Police Department	DPS	X			0	11,058	52,038	29,421	28,478 A B F
100	O'Fallon Police Department			X			354,985	236,578	109,012	482,551
101	Overland Police Department	SAO & DPS		X			148,500	63,990	23,792	188,698
102	Ozark Police Department		X	X			1,834,647	44,145	142,430	1,736,362 B
103	Park Hills Police Department				X		30,006			30,006
104	Peculiar Police Department				X		461		461	0 D
105	Pemiscot County Sheriff's Office			X			405,147	126,148	73,784	457,511 B
106	Perryville Police Department				X	0	12,758	0	10,994	1,764
107	Pettis County Sheriff's Office				X	0	17,380	0	1,044	16,336 C
108	Phelps County Prosecuting Attorney's Office	SAO & DPS	X			2,227,153	422,038	119,864	176,248	365,654 C
109	Phelps County Sheriff's Office		X	X		672,355	2,879,994	695,773	516,135	3,059,632
110	Platte County Sheriff's Office		X	X		0	121,805	1,028	8,030	114,803
111	Pleasant Valley Police Department				X	0	411	0	411	0
112	Poplar Bluff Police Department		X	X		0	12,019	3,539	3,531	12,027 B
113	Pulaski County Prosecutor's Office		X	X		0	1,418	283	0	1,706 A D
114	Pulaski County Sheriff's Office		X	X		0	1,043	2,305	185	3,163 D
115	Raytown Police Department				X	0	3,446	0	3,446	0
116	Richmond Heights Police Department		X	X		0	83,399	111,188	42,294	152,293
117	Ripley County Sheriff's Office				X	0	763	16	0	763 A B
118	Rock Hill Police Department				X	0	2,555	2,555	0	2,555 A B
119	Rolla Police Department		X			483,808	77,792	27,423	31,493	73,722
120	Scotland County Sheriff's Office				X	0	2,499	20	0	2,519

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	Not Filed by January 31st Deadline	Submitted a request for forfeited assets	Received federal sharing funds (cash)	Received federal sharing assets (non-cash)	None of the above		Beginning Balance 01-01-15	Receipts	Expenditures	Ending Balance 12-31-15
121 Sedalia Police Department					X	0	24,190	7,057	1,615	29,632 B
122 Shrewsbury Police Department			X			0	5,859	5,859	0	5,859 A B
123 Sikeston Department of Public Safety		X	X			110,754	35,662	19,363	0	55,025
124 South Central Drug Task Force		X	X			0	177,116	155,451	254,986	82,722 A B
125 Southeast Missouri Drug Task Force		X	X			207,326	641,769	149,848	143,352	648,265
126 Southwest Missouri Drug Task Force					X	0	26,551	0	18,571	7,980 C
127 Springfield Police Department		X	X			0	64,833	99,549	77,507	86,875
128 St. Ann Police Department		X	X			0	0	178,639	136,434	42,205
129 St. Charles County Police Department		X	X			623,000	0	2,959,042	1,384,123	1,574,919 G
130 St. Charles County Prosecuting Attorney's Office	SAO		X			0	149,933	29,279	41,628	137,584
131 St. Charles County Regional Drug Task Force		X	X			92,500	294,767	64,028	195,611	163,184
132 St. Charles County Sheriff's Office			X			0	0	355,628	2,858,142	0 A G
133 St. Charles Police Department	SAO	X	X			0	122,264	192,780	16,985	298,059
134 St. Clair County Sheriff's Office					X	0	86	1	0	87 B
135 St. John Police Department		X	X			0	85,242	122,992	44,100	164,134
136 St. Joseph Police Department			X			6,902	5,796	6,904	717	11,983
137 St. Louis County Police Department		X	X	X		217,150	2,394,271	1,226,624	763,035	2,857,860
138 St. Louis Metropolitan Police Department		X	X	X		88,786	2,098,881	489,271	1,619,256	1,057,681 A
139 St. Peters Police Department		X	X			0	166,785	164,951	207,605	124,131
140 St. Robert Police Department					X	0	8,710	2,017	0	8,710 A B
141 Sullivan Police Department		X				0	0			F
142 Sunset Hills Police Department					X	0	2,942	0	575	2,367
143 Taney County Sheriff's Office			X			0	5,146	4,221	2,008	7,359
144 Texas County Sheriff's Office					X	0	2,647	18	1,500	1,165
145 Troy Police Department		X	X	X		0	1,329	83,475	12,017	58,412 A B
146 Vernon County Sheriff's Office					X	0	564	3	20	547
147 Warren County Sheriff's Office		X	X			4,704	7,551	4,736	11,957	330
148 Warrensburg Police Department		X				0	0	0	0	0
149 Wayne County Sheriff's Office		X	X			7,110	6,228	7,110	5,927	7,411
150 Waynesville Police Department					X	0	0	0	0	0 B
151 Webb City Police Department		X				12,854	0	0	0	0

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	Not Filed by January 31st Deadline	Submitted a request for forfeited assets	Received federal sharing funds (cash)	Received federal assets sharing (non-cash)	None of the above		Beginning Balance 01-01-15	Receipts	Expenditures	Ending Balance 12-31-15
152 Webster Groves Police Department			X			0	4,915	21,751	9,814	16,852
153 Wentzville Police Department		X	X			53,002	4,643	1,159	0	5,802
154 Willard Police Department					X	0	656	0	0	656
155 Woodson Terrace Police Department			X			0	10,837	19,675	13,154	17,358
Total	7	75	89	4	52	\$ 8,438,434	29,376,313	12,144,465	13,033,935	31,195,402

Note: This appendix shows the categories of the federal forfeiture report and what each agency reported. Blanks for any item indicate the agency left that item blank and zeroes indicate the agency reported zero.

- A The beginning balance plus receipts minus expenditures does not mathematically agree with the ending balance reported.
- B The beginning balance reported as of January 1, 2015, does not agree with the ending balance reported as of December 31, 2014, as shown in Report No. 2015-033, *Compilation of 2014 Federal Forfeiture Reports*, or to the law enforcement agency's revised 2014 federal forfeiture report submitted to our office subsequent to release of the compilation report.
- C The beginning balance reported as of January 1, 2015, does not agree with the ending balance reported as of December 31, 2014, as shown in Report No. 2015-033, *Compilation of 2014 Federal Forfeiture Reports*, but agrees with the December 31, 2014, ending balance reported in the law enforcement agency's revised 2014 federal forfeiture report submitted to our office subsequent to release of the compilation report.
- D The law enforcement agency did not file a report for 2014 but reported a beginning balance as of January 1, 2015.
- E Copy of report supplied by the State Auditor's Office (SAO) to the Department of Public Safety (DPS) because the law enforcement agency did not report to the DPS.
- F Copy of report supplied by the DPS to the SAO because the law enforcement agency did not report to the SAO.
- G The St. Charles County Sheriff's Office dissolved January 1, 2015, and was replaced with two agencies, with one being the new St. Charles County Sheriff's Office and the other being the St. Charles County Police Department. The new St. Charles County Sheriff's Office handles jail functions and serving papers while the St. Charles County Police Department handles patrolling, crime lab services, and other law enforcement agency duties.
- H Due to footing errors noted in various law enforcement agency reports, the total beginning balance plus total receipts minus total expenditures does not mathematically agree to the total ending balance.

Appendix B
 Compilation of 2015 Federal Forfeiture Reports
 Law Enforcement Agencies Reporting No Participation

Name	Name
1 Adair County Sheriff's Office	61 Desloge Police Department (C) (D)
2 Andrew County Sheriff's Office	62 Diamond Police Department
3 Arcadia Police Department	63 Dixon Police Department (B) (D)
4 Ash Grove Police Department	64 Doniphan Police Department
5 Atchison County Sheriff's Office	65 Doolittle Police Department
6 Ava Police Department	66 Drexel Police Department
7 Barry County Sheriff's Office	67 Dunklin County Sheriff's Office
8 Bell City Police Department	68 Dunklin R-5 School District Public Safety (D)
9 Belle Police Department	69 Edgerton Police Department
10 Bel-Nor Police Department	70 Edina Police Department
11 Bel-Ridge Police Department (A)	71 Eldon Police Department
12 Benton County Sheriff's Office	72 Ellisville Police Department
13 Bertrand Police Department	73 Elsberry Police Department
14 Beverly Hills Police Department	74 Emma Police Department
15 Bismarck Police Department	75 Essex Police Department
16 Blue Springs Police Department (C) (D)	76 Everton Police Department (A)
17 Blue Springs School District Department of Public Safety	77 Exeter Police Department
18 Bowling Green Police Department	78 Fair Grove Police Department
19 Brookfield Police Department	79 Fairview Police Department
20 Butterfield Police Department	80 Farmington Police Department
21 Byrnes Mill Police Department	81 Fleming Police Department
22 Cabool Police Department	82 Foristell Police Department
23 Caldwell County Sheriff's Office (B)	83 Frontenac Police Department
24 Calverton Park Police Department	84 Gerald Police Department (B)
25 Camden County Sheriff's Office	85 Gideon Police Department
26 Camdenton Police Department	86 Gladstone Department of Public Safety
27 Canalou Police Department (B)	87 Goodman Police Department (C) (D)
28 Canton Police Department (B)	88 Grain Valley Police Department
29 Cardwell Police Department (B)	89 Granby Police Department
30 Carl Junction Police Department	90 Grandin Police Department
31 Carroll County Sheriff's Office (C) (D)	91 Green Ridge Police Department
32 Carter County Sheriff's Office	92 Greenwood Police Department
33 Cartersville Police Department	93 Hannibal Police Department (C) (D)
34 Carthage Police Department (C) (D)	94 Hardin Police Department
35 Cass County Sheriff's Office	95 Harrisonville Police Department
36 Cassville Police Department	96 Hawk Point Police Department (A)
37 Catron Police Department	97 Henrietta Police Department
38 Center Police Department (C) (D)	98 Henry County Sheriff's Office
39 Centralia Police Department	99 Hermann Police Department
40 Chaffee Police Department	100 High Hill Police Department
41 Chariton County Sheriff's Office	101 Highlandville Police Department
42 Chillicothe Police Department	102 Holt County Sheriff's Office
43 Clark County Sheriff's Office (B)	103 Holts Summit Police Department (C) (D)
44 Clark Police Department	104 Howard County Sheriff's Office
45 Clarkton Police Department	105 Iron County Sheriff's Office
46 Clay County Ranger Division	106 Jackson County Parks and Recreational Ranger Division
47 Clinton County Sheriff's Office (B)	107 Jasper County Sheriff's Office
48 Cole Camp Police Department	108 Jasper Police Department (C) (D)
49 Cooper County Sheriff's Office	109 Kearney Police Department
50 Corder Police Department	110 Kelso Police Department
51 Cottleville Police Department (B)	111 Kennett Police Department
52 Country Club Village Police Department	112 Kimberling City Police Department
53 Crane Police Department	113 King City Police Department
54 Crawford County Sheriff's Office	114 La Plata Police Department
55 Crestwood Police Department	115 Laddonia Police Department
56 Curryville Police Department (B)	116 Lake Lafayette Police Department
57 Dade County Sheriff's Office	117 Lake Ozark Police Department
58 Dallas County Sheriff's Office	118 Lake Tapawingo Police Department
59 Daviess County Sheriff's Office (A)	119 Lake Waukomis Police Department
60 Des Peres Department of Public Safety	120 Lakeshire Police Department

Appendix B
 Compilation of 2015 Federal Forfeiture Reports
 Law Enforcement Agencies Reporting No Participation

Name	Name
121 Lamar Police Department	181 Platte Woods Police Department
122 Laurie Police Department	182 Plattsburg Police Department
123 Lawrence County Sheriff's Office	183 Polo Police Department (B)
124 Leeton Police Department	184 Portageville Police Department
125 Lewis County Sheriff's Office	185 Potosi Police Department
126 Liberty Police Department	186 Prairie Home Police Department
127 Licking Police Department	187 Putnam County Sheriff's Office
128 Lincoln University Police Department	188 Puxico Police Department
129 Linn Creek Police Department	189 Queen City Police Department
130 Linn Police Department	190 Qulin Police Department (C) (D)
131 Livingston County Sheriff's Office	191 Ralls County Sheriff's Office
132 Lone Jack Police Department	192 Randolph County Sheriff's Office
133 Louisiana Police Department	193 Ray County Sheriff's Office
134 Macon County Sheriff's Office (B)	194 Raymore Police Department
135 Macon Police Department	195 Republic Police Department
136 Marceline Police Department	196 Reynolds County Sheriff's Office
137 Maries County Sheriff's Office	197 Rich Hill Police Department
138 Maryville Department of Public Safety	198 Richland Police Department
139 Matthews Police Department	199 Richmond Police Department (C) (D)
140 Memphis Police Department	200 Riverside Police Department
141 Mercer County Sheriff's Office	201 Riverview Police Department
142 Mexico Department of Public Safety	202 Rogersville Police Department
143 Milan Police Department	203 Salem Police Department
144 Miller County Sheriff's Office	204 Saline County Sheriff's Office
145 Mineral Area College Department of Public Safety (C) (D)	205 Sarcoxie Police Department (B)
146 Missouri Capitol Police	206 Schuyler County Sheriff's Office
147 Missouri Department of Natural Resources - State Park Ranger Program	207 Scott City Police Department
148 Missouri Division of Alcohol and Tobacco Control	208 Scott County Sheriff's Office
149 Missouri Division of Fire Safety	209 Seymour Police Department (B)
150 Missouri State Technical Assistance Team	210 Shannon County Sheriff's Office
151 Missouri University of Science and Technology Police Department	211 Shelby County Sheriff's Office
152 Missouri Western State University Police Department	212 Slater Police Department
153 Moline Acres Police Department	213 Smithton Police Department
154 Moniteau County Sheriff's Office	214 Smithville Police Department
155 Monroe County Sheriff's Office	215 Southwest City Police Department
156 Montgomery City Police Department	216 St. Charles Community College Police Department
157 Montgomery County Sheriff's Office	217 St. Charles Parks and Recreation Ranger Division
158 Mound City Police Department	218 St. Clair Police Department
159 Mountain Grove Police Department	219 St. François County Sheriff's Office
160 Mountain View Police Department	220 St. Mary Police Department
161 Mt. Vernon Police Department	221 St. Louis Community College Police Department (C) (D)
162 Nevada Police Department	222 Ste. Genevieve Police Department (B)
163 New Bloomfield Police Department (C) (D)	223 Stewartville Police Department
164 New Florence Police Department	224 Stoddard County Sheriff's Office
165 New Franklin Police Department	225 Stone County Sheriff's Office
166 New London Police Department	226 Stover Police Department (B)
167 New Madrid Police Department	227 Strafford Police Department
168 Northmoor Police Department	228 Strasburg Police Department
169 Oak Grove Police Department	229 Sturgeon Police Department
170 Odessa Police Department	230 Sullivan County Sheriff's Office (C) (D)
171 Olivette Police Department (B)	231 Supreme Court of Missouri - Marshal's Office
172 Oran Police Department (C)	232 Tarkio Police Department (A)
173 Oregon County Sheriff's Office	233 Terminal Railroad Police Department
174 Orrick Police Department (A)	234 Terre Du Lac Police Department
175 Osage Beach Police Department	235 Thayer Police Department
176 Pagedale Police Department	236 Town and Country Police Department
177 Palmyra Police Department	237 Tracy Police Department
178 Parkville Police Department	238 Truman State University Police Department
179 Perry County Sheriff's Office	239 Union Police Department
180 Platte City Police Department	240 Unionville Police Department

Appendix B
 Compilation of 2015 Federal Forfeiture Reports
 Law Enforcement Agencies Reporting No Participation

<u>Name</u>	<u>Name</u>
241 University of Central Missouri Department of Public Safety	252 Warsaw Police Department
242 University of Missouri - Columbia Police Department	253 Washington University Police Department
243 University of Missouri - Kansas City Police Department	254 Waverly Police Department (C) (D)
244 Urbana Police Department	255 Webster County Sheriff's Office
245 Van Buren Police Department	256 Wellsville Police Department
246 Verona Police Department	257 West Plains Police Department
247 Versailles Police Department	258 Weston Police Department
248 Vienna Police Department	259 Wheaton Police Department
249 Village of Miramiguoa	260 Williamsville Municipal Court
250 Vinita Park Police Department (A)	261 Worth County Sheriff's Office
251 Warrenton Police Department	262 Wyatt Police Department (B)

Note: This appendix lists law enforcement agencies that only marked "None of the Above" in their 2015 federal forfeiture report. In addition, officials from the City of DeWitt reported they did not have local law enforcement in 2015 and that police department is excluded from this list.

- (A) Copy of report supplied by the State Auditor's Office (SAO) to the Department of Public Safety (DPS) because the law enforcement agency did not report to the DPS.
- (B) Copy of report supplied by the DPS to the SAO because the law enforcement agency did not report to the SAO.
- (C) Filed with the SAO subsequent to the statutory reporting deadline of January 31, 2016.
- (D) Filed with the DPS subsequent to the statutory reporting deadline of January 31, 2016.

Appendix C

Compilation of 2015 Federal Forfeiture Reports

Law Enforcement Agencies Not Filing a 2015 Federal Forfeiture Report

But Previously Reported a December 31, 2014, Balance

	Name	Balance 12/31/14*
1	Cape Girardeau County Sheriff's Office	\$ 5,510
2	Monett Police Department	2,275
3	Nixa Police Department	11,859
4	Ste. Genevieve County Sheriff's Office	185
5	Steele Police Department	22,211

* As reported by the law enforcement agency in its 2014 federal forfeiture report and shown in Report No. 2015-033, *Compilation of 2014 Federal Forfeiture Reports*.



Office of Missouri State Auditor
Nicole Galloway, CPA

Oregon County

Report No. 2016-035

June 2016

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Oregon County

Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of accounting records. The office also needs to improve controls and procedures over receipting and depositing monies. The Bookkeeper does not prepare monthly lists of liabilities for the bank account, and auditors identified an excess balance of \$303. In addition, the Sheriff improperly directed a donation to the Sheriff's Civil Fund, although the county had established a separate Law Enforcement Donations Fund for any donations received.
County Procedures	Neither the County Commission nor the County Clerk submitted proof of publication of the county's financial statement for the year ended December 31, 2014, to the State Auditor's Office as required by state law. The published financial statements for the year ended December 31, 2015, did not include financial data for the correct year. The county lacks effective monitoring procedures for vehicle and equipment fuel use by the Road and Bridge department and the Sheriff's office, increasing the risk of misuse.
Electronic Data Security	County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Employees in a number of offices were not required to change their passwords periodically, and some passwords were shared by employees.
Sunshine Law	The County Commission failed to post notification or agendas for meetings and did not document specific reasons for closing any of the six closed sessions held in 2015 as required by state law.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Oregon County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Oregon County

We have audited certain operations of Oregon County in fulfillment of our duties under Section 29.230, RSMo. In addition, Lisa C. Wright, LLC, Certified Public Accountant, has been engaged to audit the financial statements of Oregon County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

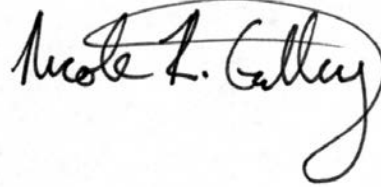
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified 1) deficiencies in internal controls, 2) noncompliance with legal provisions, and 3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Oregon County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	James M. Applegate, MBA
Audit Staff:	Shannon Spicer, MBA
	Jason M. Huffman, MBA

Oregon County Management Advisory Report State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collected monies for civil fees, concealed carry weapon (CCW) permits, jail phone and commissary commissions, bonds, and other miscellaneous receipts totaling approximately \$53,800 for the year ended December 31, 2015.

1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of accounting records. The Bookkeeper is responsible for receipting, recording, and depositing monies; making disbursements; and preparing bank reconciliations and the monthly fee report. The Sheriff or the Chief Deputy reviews and initials the monthly fee report prepared by the Bookkeeper, but neither of them review bank reconciliations or other accounting records including detailed receipt and disbursement records.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential and should include comparing daily receipt activity to deposits and disbursements to supporting documentation.

1.2 Receipting and depositing

Controls and procedures over receipting and depositing monies need improvement.

- Receipt slips are only issued immediately for monies received when the Bookkeeper or Deputy Sheriff are on duty.
- Checks are not always restrictively endorsed immediately upon receipt.
- The numerical sequence of receipt slips is not accounted for properly. Receipt slips were issued without a receipt slip number after July 9, 2015, because the accounting system stopped assigning receipt slip numbers to receipts. The Bookkeeper was unaware of this issue until we discussed it with her.
- The composition of receipts (cash, check, or money order) is not reconciled to the composition of deposits.
- The CCW permit log is not reconciled to deposits to ensure all CCW fees collected were deposited.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds or other errors going undetected, prompt receipting and recording



Oregon County Management Advisory Report - State Auditor's Findings

of payments received is necessary. In addition, checks should be restrictively endorsed upon receipt, the numerical sequence of receipts should be accounted for, the composition of receipts should be reconciled to the composition of deposits, and the log of CCW permits should be reconciled to deposits.

1.3 Liabilities

The Bookkeeper did not prepare monthly lists of liabilities for the bank account; therefore, liabilities are not reconciled to the available cash balance. We identified \$1,398 in liabilities at December 31, 2015. The available cash balance of \$1,701 exceeded the list of liabilities by \$303.

Without regular identification and comparison of liabilities to the available cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Various statutory provisions provide for the disposition of unidentified monies.

1.4 Restricted funds

In 2015, the Sheriff improperly directed a donation of \$2,500 from a reality television show investigating a cold case in Oregon County to be deposited to the Sheriff's Civil Fund. The county had previously established a Law Enforcement Donations Fund for any donations received. Funds in the Sheriff's Civil Fund may be expended at the Sheriff's discretion for the furtherance of the sheriff's set duties, while the County Commission controls disbursements of monies in the Law Enforcement Donations Fund. The Sheriff indicated the donation was used to purchase equipment for several deputies.

Section 57.280.3, RSMo, provides that all fees received for service and other process under this section be deposited into the Sheriff's Civil Fund. Donations received for law enforcement purposes should be deposited into the Law Enforcement Donations Fund since this fund was established for that purpose.

Similar conditions previously reported Recommendations

Similar conditions to sections 1.1, 1.2, and 1.3 were noted in our prior audit report.

The Sheriff:

- 1.1 Segregate accounting duties or ensure an adequate independent or supervisory review of accounting and bank records, including detailed receipt and disbursement records, is performed and documented.
- 1.2 Ensure prenumbered receipt slips are issued for all monies when received and the numerical sequence of receipt slips is accounted for properly. Also, the Sheriff should ensure checks are restrictively endorsed upon receipt, the composition of receipts is reconciled to



Oregon County
Management Advisory Report - State Auditor's Findings

the composition of deposits, and the CCW permit log is reconciled to deposits.

- 1.3 Prepare a monthly list of liabilities, reconcile it to the available cash balance, and promptly investigate and resolve any differences.
- 1.4 Ensure donations for law enforcement are deposited into the Law Enforcement Donations Fund.

Auditee's Response

- 1.1 *We will ensure an adequate independent or supervisory review of accounting and bank records, including detailed receipt and disbursement records, is performed and documented.*
- 1.2 *We will require prenumbered receipt slips to be issued for all monies when received and we will account for the numerical sequence of receipt slips. We will restrictively endorse all checks upon receipt, reconcile the composition of receipts to the composition of deposits, and reconcile the CCW permit log to deposits.*
- 1.3 *We will require a monthly list of liabilities to be prepared and reconciled to the available cash balance, and any differences will be promptly investigated and resolved.*
- 1.4 *We will ensure all donations for law enforcement are deposited into the Law Enforcement Donations Fund.*

2. County Procedures

Procedures related to financial reporting and fuel use need improvement.

2.1 Financial reporting

The county does not comply with state law related to published financial statements.

Proof of publication of financial statements

Neither the County Commission nor the County Clerk submitted proof of publication of the county's financial statement for the year ended December 31, 2014, to the State Auditor's Office as required by state law. The proof of publication was required to be submitted to our office by March 31, 2015. After we brought this matter to the attention of the County Clerk, the 2014 proof of publication and published financial statements were submitted to our office on February 8, 2016.

Published financial statements

Neither the County Commission nor the County Clerk ensured the financial statements were published in accordance with state law. The published financial statements for the year ended December 31, 2015, did not include any 2015 financial data, but instead included the county's financial data for the year ended December 31, 2014, due to the submission of incorrect data



Oregon County
Management Advisory Report - State Auditor's Findings

to the publisher. After we brought this matter to the attention of the County Clerk, a corrected financial statement for 2015 was published in March 2016 at a cost of \$819.

Section 50.810, RSMo, requires filing of proof of publication of the county's financial statements with the State Auditor. In addition, complete and accurate published financial statements are needed to adequately inform the citizens of the county financial activities and show compliance with statutory requirements. Section 50.800, RSMo, provides details regarding what information must be presented in the county's annual published financial statements and specifically requires presentation of receipts, disbursements, and beginning and ending balance information for all county funds.

2.2 Fuel use

The county has not established effective monitoring procedures for vehicle and equipment fuel use by the Road and Bridge department and the Sheriff's office. During the year ended December 31, 2015, fuel purchases totaled approximately \$66,000 for the Road and Bridge department and \$21,000 for the Sheriff's office.

The fuel purchased by the Road and Bridge department is stored in bulk fuel tanks at both the North and South Road and Bridge sheds. In addition, one Road and Bridge employee who lives in a remote part of the county has a bulk fuel tank at his home. The fuel purchased by the Sheriff's office is stored in a bulk fuel tank at the North Road and Bridge shed. Mileage and fuel usage logs are maintained by personnel for all equipment and vehicles. The Sheriff or the Chief Deputy review, and document their reviews, of the mileage and fuel usage logs for the Sheriff's vehicles. We noted the following concerns:

- Although mileage and fuel usage logs are maintained for the Road and Bridge department vehicles, there was no documentation to show those logs were reviewed for accuracy.
- A formal reconciliation of fuel use to fuel purchases is not prepared. Logs of fuel dispensed from bulk fuel tanks are maintained by the Road and Bridge department and the Sheriff's office. County officials indicated fuel use is compared to fuel purchases; however, this review is not documented.
- Fuel delivery slips for bulk fuel purchases were not signed by county personnel to indicate receipt of the fuel.
- The county's fuel vendor invoiced the county \$628.43 for a fuel delivery made to a different customer on April 22, 2015. Although the vendor monthly statement of April 30, 2015, charged and also credited the



Oregon County Management Advisory Report - State Auditor's Findings

amount to the county, the county still paid for this fuel delivery, resulting in an overpayment of \$628.43. County officials were unaware an overpayment had been made until we discussed this matter with them. They indicated a subsequent payment to the fuel vendor was reduced by that amount.

Procedures for reviewing mileage and fuel usage logs and reconciling the information to fuel purchased and related records are necessary to ensure vehicles and equipment are properly utilized; prevent paying vendors for improper amounts; and decrease the risk of loss, theft, or misuse of fuel going undetected.

Recommendations

The County Commission:

- 2.1 And the County Clerk ensure the proof of publication of the county financial statement is filed with the State Auditor's Office as required by state law. In addition, the County Commission and the County Clerk should ensure the correct financial data is included in the published county financial statements.
- 2.2 Require documented reviews of mileage and fuel use logs for all vehicles and equipment and require reconciliation of those logs and fuel purchases. Any significant differences should be investigated. In addition, complete bulk fuel inventory records should be maintained and delivery receipts for fuel should be signed by a county employee to document proof of delivery.

Auditee's Response

The County Commission provided the following responses:

- 2.1 *We do comply with state law in that accurate county financial statements are created and distributed annually. The years of 2014 and 2015 were the product of oversight and an electronic malfunction. We will continue to work with the County Clerk to ensure financial statements are distributed properly.*
- 2.2 *We have complied and will continue to comply with your recommendations.*

The County Clerk provided the following response:

- 2.1 *For the financial statement for the year ended December 31, 2014, the financial statement was compiled and publicly published in accordance with statute. It is in my notes to send a copy of the proof of publication and the published financial statement to the State Auditor's Office. It was an oversight on my part. I have no explanation about the financial statement for the year ending*



Oregon County
Management Advisory Report - State Auditor's Findings

December 31, 2015. The copy I printed out for my office was correct. The copy I sent to the paper had the correct first paragraph but the rest was 2014's information. Since the copy I printed out was correct, I did not think to check the one I sent through email to the newspaper. I will check for these errors in the future.

3. Electronic Data Security

County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. County employees in the offices of the County Clerk, County Collector, and Recorder of Deeds are not required to change passwords periodically and some passwords are shared by employees, which increases the risk of a compromised password.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not required to be periodically changed or kept confidential, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique, confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

A similar condition was noted in our prior audit report.

Recommendation

The County Commission work with county officials to require employees to periodically change passwords and emphasize the importance of keeping passwords confidential to prevent unauthorized access to computers and data.

Auditee's Response

The County Commission provided the following response:

We will implement procedures to remind county officials to change passwords and protect confidentiality.

The County Clerk provided the following response:

We will ensure the first computer log-in screen will prompt for a password change periodically. The password log-in screens on our programs prompt for a password change every three months.

4. Sunshine Law

The County Commission did not always comply with the Sunshine Law. The County Commission generally meets twice a week and held 6 closed meetings during the year ended December 31, 2015.

4.1 Agendas

The County Commission did not post notification or agendas for meetings. Section 610.020, RSMo, requires the county to give notice at least 24 hours in advance of the time, date, and place of each meeting, and its tentative



Oregon County
Management Advisory Report - State Auditor's Findings

agenda, in a manner reasonably calculated to advise the public of the matters to be considered.

4.2 Closed sessions

Open meeting minutes did not document the specific reasons or section of law allowing the meetings to be closed for any of the 6 closed sessions held in 2015.

Section 610.022, RSMo, of the Sunshine Law, requires public bodies announce the specific reasons allowed by law for going into a closed session and to enter the vote and reason into the minutes. The section also limits discussion topics and actions in closed meetings to only those specifically announced prior to closure.

Recommendations

The County Commission:

- 4.1 Provide proper notice of meetings and ensure appropriate agendas are posted and retained.
- 4.2 Ensure specific reasons for closing a meeting are documented in the open minutes.

Auditee's Response

The County Commission provided the following response:

We will continue to observe that proper notice of meetings are posted and will ensure that reasons for closed session meetings are documented.

The County Clerk provided the following response:

Beginning in May 2016, we implemented posting a detailed agenda within 24 hours of the commission meetings in 2 easily accessible locations. We will add the statutory citation pertaining to any closed sessions.

Oregon County

Organization and Statistical Information

Oregon County is a county-organized, third-class county. The county seat is Alton.

Oregon County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 41 full-time employees (including elected officials) and 10 part-time employees on December 31, 2015.

In addition, county operations include the Senate Bill 40 Board and the Senior Citizens' Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Patrick Ledgerwood, Presiding Commissioner	\$	25,760
Johnny D. Wrenfrow, Associate Commissioner		23,760
Edward Casey, Associate Commissioner		23,760
Dawn Holman, Recorder of Deeds		36,000
Tracy J. Bridges, County Clerk		36,000
Jennifer Hyde Crask, Prosecuting Attorney		43,000
George R. Underwood, Sheriff		40,000
Kim Hollis, County Treasurer		36,000
Tom Clary, County Coroner		10,000
Mike Crawford, Public Administrator		36,000
Misty Hower, County Collector (1), year ended February 29,	36,390	
Charles Lon Alford, County Assessor, year ended August 31,		36,000
Scott Simer, County Surveyor (2)		

(1) Includes \$390 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.



Office of Missouri State Auditor
Nicole Galloway, CPA

Linn County

Report No. 2016-036

June 2016

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Linn County

Property Tax System	The County Collector-Treasurer and her deputy have access rights in the property tax system allowing changes to be made to individual tax records. Because personnel in the County Collector-Treasurer's office are responsible for collecting tax monies, good internal controls require they not have access rights allowing alteration or deletion of tax rates, assessed valuations, and property tax billing information. Additionally, employees in the County Collector-Treasurer's office share computer user IDs and passwords, and a separate password is not required for the property tax system.
Sheriff's Seized Property	The Sheriff's office did not retain seized property inventory records and a periodic inventory of all seized property is not performed.
County Procedures	The County Clerk and the County Collector-Treasurer use the same computer system for receipts and share the same sequence of receipt numbers; therefore, receipt numbers for each office are not in sequence. Additionally, the system may skip receipt numbers if receipts are started but closed before finalized. Also, employee timesheets do not always indicate supervisory approval. Timesheets submitted by the Sheriff's office to the County Clerk's office are not reviewed or signed by the Sheriff but are footed by the Sheriff's Administrative Assistant and stamped with the Sheriff's signature. Two other employees' timesheets reviewed were not signed by their supervisor.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of the accounting and bank records to ensure all monies received are properly recorded and deposited or disbursed to the appropriate party.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
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- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Linn County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Linn County

We have audited certain operations of Linn County in fulfillment of our duties under Section 29.230, RSMo. In addition, Lisa C. Wright, LLC, Certified Public Accountant, has been engaged to audit the financial statements of Linn County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

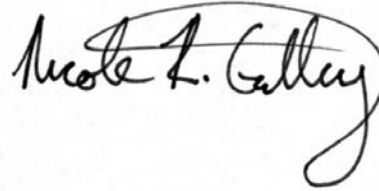
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with a legal provision, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Linn County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly distinguishable. It is written over a faint, circular embossed seal that is partially visible in the background.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Lori Melton, M.Acct., CPA
In-Charge Auditor:	Tina Disney, M.Acct.
Audit Staff:	Steven J. Barton
	Michelle Pummill

Linn County

Management Advisory Report

State Auditor's Findings

1. Property Tax System

Controls and procedures over the property tax system need improvement. The property tax system is one component of the county's computer system. The County Collector-Treasurer's office processed collections totaling approximately \$10.4 million for the year ended February 29, 2016.

1.1 Computer access

The county has not adequately restricted property tax system access. The County Collector-Treasurer and her deputy have access rights in the property tax system allowing changes to be made to individual tax records. Because personnel in the County Collector-Treasurer's office are responsible for collecting tax monies, good internal controls require they not have access rights allowing alteration or deletion of tax rates, assessed valuations, and property tax billing information.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the deletion or alteration of data files and programs.

1.2 User identifications and passwords

Separate user identifications (ID) and passwords are not required to access the property tax system. The County Collector-Treasurer has established a unique user ID and password for each computer; however, employees share the user IDs and passwords and a separate password is not required for the property tax system.

User IDs and passwords are necessary to authenticate access to the property tax system. The security of a password is dependent upon keeping the password confidential. However, since employees of the County Collector-Treasurer's office know the user identification and password for each computer, there is less assurance the user ID and password is effectively limiting access to the property tax system to only those individuals who need access to perform their job responsibilities. User IDs should be unique to each employee and passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of the property tax system.

Similar conditions
previously reported

Similar conditions were noted in our prior audit report.

Recommendations

The County Collector-Treasurer:

- 1.1 Work with the County Commission to ensure property tax system access is limited to only what is needed for users to perform their job duties and responsibilities.
- 1.2 Require unique user identifications for each employee and passwords that are confidential and periodically changed to prevent unauthorized access to the property tax system.



Linn County
Management Advisory Report - State Auditor's Findings

Auditee's Response

- 1.1 *I have talked with Tyler Technologies about my office not being able to change values and taxes on property tax records. It seems the real estate records were already limited access in not being able to change anything but names for property transfers and addresses to mail out statements when we had incorrect addresses on our records. Tyler Technologies will also work on getting the access limited on personal property taxes. I spoke to them about this on May 26, 2016.*
- 1.2 *There are 4 computers in the County Collector-Treasurer's office. Each computer has its own password. The passwords are assigned to the computer, not the person using it. The passwords can only be used on that computer. Everyone in the office knows the passwords to be able to open the tax system. No one outside of the office knows the passwords. It is necessary to be able to do our job efficiently. The passwords are changed periodically. We will contact our system vendor to determine if user IDs and passwords can be implemented for the tax system.*

2. Sheriff's Seized Property

The Sheriff's office did not retain seized property inventory records and a periodic inventory of all seized property is not performed. The Sheriff indicated deputies maintained an evidence log and destruction orders for seized property; however, in January 2016 these documents could not be located. The Sheriff's office is currently inventorying the evidence and recreating the evidence log as of April 2016.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, indicates all records made or received by officials in the course of their public duties are public property and are not to be disposed of except as provided by law. Also, periodic inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly.

Recommendation

The Sheriff ensure seized property inventory records are properly retained. In addition, the Sheriff should perform a periodic physical inventory of seized property, reconcile it to the evidence log, and investigate any differences.

Auditee's Response

We agree and have implemented this recommendation.

3. County Procedures

Procedures for accounting for the numerical sequence of receipt numbers and approving timesheets need improvement.

3.1 Receipt numbers

The County Clerk and the County Collector-Treasurer do not account for the numerical sequence of receipt numbers assigned by the computer system. The County Clerk and the County Collector-Treasurer use the same



Linn County
Management Advisory Report - State Auditor's Findings

computer system for receipts and share the same sequence of receipt numbers; therefore, receipt numbers for each office are not in sequence. In addition, the computer system may skip a receipt number if a receipt is started but closed before it is finalized. During our review of receipts, we identified receipt numbers unused by both the County Clerk and the County Collector-Treasurer. Neither the County Clerk nor the County Collector-Treasurer could provide documentation to show whether the receipt numbers had been skipped or voided in the computer system.

To ensure all monies received are properly recorded and deposited and to reduce the risk of loss, theft, or misuse of funds, the County Clerk and County Collector-Treasurer should work with the computer software vendor to ensure adequate controls are in place to track the numerical sequence of all receipt numbers.

3.2 Timesheets

As similarly noted in our prior audit report, timesheets do not always indicate supervisory approval. The county incurred payroll costs of approximately \$1.2 million during the year ended December 31, 2015.

Timesheets submitted by the Sheriff's office to the County Clerk's office are not reviewed or signed by the Sheriff. Instead, the timesheets are footed by the Sheriff's Administrative Assistant and stamped with the Sheriff's signature. In addition, during our review of 10 timesheets, we identified 2 other employees' timesheets that were not signed by their supervisor.

Detailed timesheets signed by the employee and approved by a supervisor are necessary to document hours actually worked and provide information needed to monitor overtime, leave, and compensatory time; and are beneficial in demonstrating compliance with county policies.

Recommendations

- 3.1 The County Clerk and County Collector-Treasurer implement procedures to account for the numerical sequence of receipt numbers and work with the computer software vendor to ensure adequate controls are in place to track all receipt numbers.
- 3.2 The County Commission require timesheets be approved by the employee's supervisor.

Auditee's Response

- 3.1 *The County Clerk provided the following response:*

The County's software company was able to provide instruction on how to access a detailed Cash Collection History Report, which includes sequential receipt numbers, date and time, operator, batch numbers, transaction amounts and how applied, reference and voids. This report will be run and archived monthly by the County Collector-Treasurer.



Linn County
Management Advisory Report - State Auditor's Findings

The County Collector-Treasurer provided the following response:

This has already been checked on. A receipt number report can be run for a certain time period. In the reports I ran there were no numbers missing if the report was run for all terminals under cash collections. Voided transactions are also on this report and we will be able to run this report each month. I talked to Tyler Technologies on May 26, 2016, about the voids that show up on this report not having the full line of information. It is something the program does if it sits idle for a few minutes when a payment is started, but it is not an actual void.

3.2 *The County Commission provided the following response:*

Timesheets will be signed by officials.

4. Prosecuting Attorney's Controls and Procedures

The Prosecuting Attorney has not adequately segregated accounting duties or performed supervisory reviews of accounting and bank records. The Prosecuting Attorney's office collected approximately \$63,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.

One Administrative Assistant receives, records, and deposits monies received; prepares checks for disbursement; and reconciles the bank account. The Prosecuting Attorney does not perform a documented supervisory review of the accounting and bank records to ensure all monies received are properly recorded and deposited or disbursed to the appropriate party.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement documented independent or supervisory reviews of accounting and bank records.

Recommendation

The Prosecuting Attorney segregate accounting duties or ensure supervisory or independent reviews of detailed accounting and bank records are performed and documented.

Auditee's Response

I am not able to segregate accounting duties, as Linn County provides one Administrative Assistant for the office. Money orders are accepted as the exclusive form of payment for restitution since taking office on January 1, 2003. Money orders for court-ordered restitution are made payable to the Linn County Prosecuting Attorney. I review and sign bank deposits on occasion when I am at the office when deposit slips are prepared. The bank account does not have a debit device associated with it. I will review each bank statement upon receipt, document said review, and address any discrepancies.

Linn County

Organization and Statistical Information

Linn County is a township-organized, third-class county. The county seat is Linneus.

Linn County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 39 full-time employees (including elected officials) and 11 part-time employees on December 31, 2015. The townships maintain county roads.

In addition, county operations include a Senior Citizens' Services Board and a Senate Bill 40 Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Dick King, Presiding Commissioner	\$	28,400
Bill Dorsey, Associate Commissioner		26,400
Jim Libby, Associate Commissioner		26,400
Loretta Brookshier, Recorder of Deeds		40,000
Suzan Stephenson, County Clerk		40,000
Tracy L. Carlson, Prosecuting Attorney		47,000
Tom Parks, Sheriff		44,000
Kenny F. Creason, County Coroner		12,000
Kay Cunningham, Public Administrator		25,000
Pamela S. Reed, County Collector-Treasurer, year ended March 31,	40,000	
Marlene Graves, County Assessor, year ended August 31,		40,000



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of Joplin

City of Joplin

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
Joplin, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2015-060, *City of Joplin* (rated as Poor), issued in August 2015, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the city about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the city, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed the city's audit recommendations and progress updates, which were developed in response to our audit report and are available on the city's website. We also met with city officials, and reviewed documents provided to us. Those documents included meeting minutes and notices, contracts, bid and request for proposal documentation, expenditure reports, accounting system reports, disaster recovery reimbursement claims, disaster recovery insurance claims, special tax bills and refunds, new and updated policies, and overhead cost allocations. This report is a summary of the results of this follow-up work, which was substantially completed during March 2016.

Nicole R. Galloway, CPA
State Auditor

City of Joplin

Follow-Up Report on Audit Findings

Status of Findings

1. Master Developer	<p>The city did not ensure the selection process for the master developer was handled by persons independent and free of bias; and documentation supporting the selection of the master developer, Wallace Bajjali Development Partners, L.P. (Wallace Bajjali), was insufficient to support the city's decision. The predevelopment agreement was written to benefit Wallace Bajjali and did not adequately protect the city; and Wallace Bajjali failed to comply with several contractual requirements and obligations. Some pursuit costs were erroneously reimbursed to Wallace Bajjali; many pursuit cost invoices submitted for reimbursement by Wallace Bajjali were inappropriate; and various other concerns related to pursuit costs were identified. Some of the provisions of the land assemblage agreement were unclear, and some amounts paid to Wallace Bajjali for transfer fees were questionable or excessive.</p> <p>As of January 26, 2015, the city had paid Wallace Bajjali \$1 million in pursuit costs and \$475,500 in land assemblage fees, and no redevelopment had occurred, more than 2 1/2 years after the effective date of the predevelopment agreement.</p>
1.1 Selection process	<p>The city did not ensure some individuals selected by the Citizens Advisory Recovery Team (CART) Implementation Task Force (ITF) to draft the master developer request for proposal (RFP) requirements and evaluate the proposals received were independent and free of bias. The city also did not ensure documentation prepared by the members of the CART ITF serving as RFP evaluators was sufficient to support the significant point differences awarded to each respondent.</p>
Independence and conflicts of interest	<p>Wallace Bajjali may have benefited from favorable treatment during the RFP and qualifications preparation and evaluation process. Some of the RFP requirements and terminology may have been favorably written for Wallace Bajjali. In addition, the city did not take sufficient actions to eliminate potential conflicts of interest before awarding the master developer contract.</p>
Evaluation	<p>The city did not ensure documentation prepared by the ITF evaluators was sufficient to support the points awarded to each respondent. The ITF did not retain or provide comments or notes explaining the basis for rankings of each respondent, and there were significant point differences between respondents. Also, the dates the evaluator scorecards were prepared by evaluators and dates reference checks were completed were not documented to support the timing of events and decisions made.</p>
Recommendation	<p>The City Council ensure future evaluation committees are independent and free of potential conflicts of interest before awarding contracts, and prepare adequate documentation to support the points awarded to respondents.</p>



City of Joplin
Follow-up Report on Audit Findings
Status of Findings

Status

In Progress

No task forces or other outside evaluation committees have been utilized to evaluate and award contracts, and no significant or unusual contracts, such as this one, have been awarded since August 2015.

Only city personnel have been utilized to evaluate and select vendors for city procurements since August 2015. In those instances, adequate documentation was prepared and retained to support points awarded to respondents. The city has conflict of interest policies that apply to all boards and commissions; however, it has not established any specific procedures related to outside evaluation committees to ensure those members are independent and free of potential conflicts of interest.

The City Council indicated it did not foresee a need for outside evaluation committees; however, if an outside evaluation committee is utilized in the future, it will develop policies and procedures to ensure those members are independent and free of potential conflicts of interest.

**1.2 Predevelopment and
land assemblage
agreements**

The city and the Joplin Redevelopment Corporation (JRC) entered into a predevelopment agreement on July 2, 2012, and a land assemblage agreement on August 20, 2012, with Wallace Bajjali.

Predevelopment agreement -

**Termination clause and
deadline requirements**

Terms of the predevelopment agreement termination clause provided for excessive contract termination fees and unfairly benefited the master developer. The predevelopment agreement did not adequately provide the city a means to terminate the agreement without significant penalties. Additionally, the agreement did not adequately protect the city by providing project/accomplishment deadlines regarding redevelopment or include liquidated damages provisions for lack of performance.

**Owner's representation and
development fees**

Some fees in the predevelopment agreement were questionable because it appears no new services were being provided for the fees. The predevelopment agreement required the city to pay an owner's representative fee for construction management services of 2.25 percent of project costs on all projects, but city officials could not explain what the fee represented or the scope of services they would receive in return. Additionally, the agreement provided for the city to pay a development fee of 5.75 percent of project costs of any project undertaken within the redevelopment area included in the master plan, however, the agreement already included predevelopment expenses in development of a master plan.



City of Joplin
Follow-up Report on Audit Findings
Status of Findings

Compliance with
agreement

The city did not adequately monitor for compliance with the predevelopment agreement terms, and Wallace Bajjali had not met several of the terms as of the contract termination. The city could not provide the master plan or evidence the city ever received a master plan as required by the predevelopment agreement.

Pursuit costs

The city paid Wallace Bajjali \$790,453 in reimbursement of pursuit costs, although Wallace Bajjali did not meet the contractual requirements regarding completion of a master plan. In addition, the city paid Wallace Bajjali \$209,547 for pursuit costs incurred prior to entering into the predevelopment agreement. Documentation of these pursuit costs was not submitted to the city until 21 days after the required deadline. The Finance Department erroneously reimbursed Wallace Bajjali \$33,170 related to the creation and production of the master developer RFP response. Many invoices submitted to the city for reimbursement were inappropriate and did not meet the criteria of pursuit costs. The documentation submitted for reimbursement of many pursuit costs was not adequate and did not meet various contractual requirements. The city paid \$1 million in reimbursement of pursuit costs in 4 payments, none of which were brought before the Council for discussion prior to payment. In addition, the Finance Department paid the \$1 million of pursuit costs to a third party without obtaining formal authorization.

Land assemblage agreement

The agreement required the JRC to represent to the master developer any litigation or administrative proceedings that would materially and adversely affect the ability of the JRC to perform any of its contractual obligations, but it did not require the master developer to do the same. In addition, some of the transfer fees paid by the JRC to Wallace Bajjali were questionable or excessive.

Recommendation

The City Council ensure all major contracts include appropriate deadlines and liquidated damages, are properly monitored, and properly safeguard city interests. The Council should recover questionable amounts paid to Wallace Bajjali.

Status

In Progress

The Council has not entered into any significant or unusual contracts, such as this one, since August 2015. The City Attorney indicated there have not been any formal changes regarding the contract review process, but all departments, as a matter of protocol, are to give the City Attorney's office ample time to review contracts that need to be approved by the City Council or by staff, and have done so since August 2015.

In May 2015, the Circuit Court of Jasper County awarded the city a \$1.475 million default judgement against Wallace Bajjali. The judgement consisted



City of Joplin
Follow-up Report on Audit Findings
Status of Findings

of \$1 million in pursuit costs and \$475,000 in land assemblage fees. Since August 2015, the judge in the case has denied Wallace Bajjali's motion for a new trial. Wallace Bajjali filed a subsequent motion to set aside the default judgement. The motion was set to be heard March 16, 2016, but was continued to November 2, 2016.

2. Purchases of
Redevelopment Area
Real Estate and
Conflicts of Interest

The JRC failed to perform due diligence by use of independent appraisals and consideration of previous real estate transactions when purchasing multiple properties for redevelopment. Several transactions represented actual, or at the very least, an appearance of conflicts of interest. The JRC entered into multiple agreements to sell property to Wallace Bajjali and its affiliates, who failed to meet contractual obligations.

2.1 Properties purchased by
the JRC

The JRC failed to obtain independent appraisals or adequately research previous real estate transactions for some of the properties purchased and, as a result, paid more for some of the properties than necessary.

Properties purchased from
real estate development
company

Sixteen of the 36 properties were purchased from a real estate development company that had purchased the 16 properties from the original landowners, and then sold the properties to the JRC, in most cases for a substantially higher price, a short time later. Councilmember Woolston was aware of the properties the JRC was considering buying for redevelopment and may have used this information for personal gain. Councilmember Woolston signed the real estate sales contracts as the broker on these 16 properties.

The JRC obtained independent appraisals on only 5 of these 16 properties prior to purchase, and failed to document its reasons for purchasing these 5 properties for approximately \$360,000 more than the appraised values. In addition, the appraisals were obtained after the properties were already under contract. A bank performed in-house evaluations for the remaining 11 properties. The JRC failed to document its reasons for purchasing these properties for approximately \$315,000 more than the amounts documented on these in-house evaluations.

Properties purchased from
original owners

The JRC purchased 20 of the 36 properties from the original landowners, but failed to obtain independent appraisals for 14 of these properties. A bank prepared in-house evaluations for 8 of the 14 properties, and the JRC documented assessed values from a local government website for the other 6 properties.

Recommendation

The City Council ensure independent appraisals are obtained and adequately research previous real estate transactions for all future real estate purchases. The Council should also ensure the JRC documents its reasons for disparities between appraised values and purchase prices of real estate.



City of Joplin
Follow-up Report on Audit Findings
Status of Findings

Status

In Progress

The city and JRC have made no purchases since August 2015 and have no future plans to purchase real estate for redevelopment purposes.

The City Attorney provided the following comments:

The JRC was originally organized as a Chapter 353 Redevelopment Corporation, and until the Wallace Bajjali contract with the city, operated as such. With the Wallace Bajjali contract, the JRC was to serve as the "land bank," to hold real estate until the Wallace Bajjali projects were to be developed. The JRC still holds a substantial amount of property. Some of the property is in the process of being sold. Other property is adjacent to the library site and will be ripe for future commercial development. The JRC is exploring options for its other properties. At this point, I do not believe that there are any plans to purchase any properties. Rather, the goal is to sell property for redevelopment purposes.

2.2 Conflicts of interest

Some activities involving Councilmember Woolston created actual, or at the very least, an appearance of conflicts of interest. Councilmember Woolston signed the real estate sales contracts as the broker on properties purchased by the real estate development company, and commissions were paid to the realtor/broker firm for which he worked. In addition, Woolston was a member of the CART, which held numerous meetings to discuss potential redevelopment areas and presented a report to the Council regarding the proposed redevelopment area. Councilmember Woolston did not abstain from voting (or disclose his business relationship with the developer) on an ordinance approving a tax increment financing redevelopment plan involving a developer with whom he co-owned a local realty company.

Recommendation

The City Council more closely examine transactions to identify and avoid apparent and actual conflicts of interest, and prohibit the use of city authority for private purposes. City officials should ensure strict compliance with state law and city charter and ordinances when conducting city business. The city should further investigate whether Councilmember Woolston's actions represent conflicts of interest and cooperate with any law enforcement agency's investigation into the matter.

Status

Implemented

Based upon our review of Council minutes and city contracts, no apparent or actual conflicts of interest have occurred since August 2015. The City Attorney has provided the Council with an annual primer on conflict of interest rules and will update staff and Council on conflicts of interest and ethical rules of conduct in April 2016, and annually thereafter.



City of Joplin
Follow-up Report on Audit Findings
Status of Findings

On August 21, 2015, the Council requested a hearing to be held on September 14, 2015, to determine if the information contained in the State Auditor's report and the City of Joplin investigative report rose to the level of ethical violations committed by former Councilmember Woolston. A settlement offer was made by Woolston on Sunday, September 13, 2015, and a telephone vote of Councilmembers was taken on whether to accept the offer of Woolston's resignation in exchange for releasing a statement that Woolston had not been found to have benefited financially on sales of property later sold for city projects. Councilmember Woolston resigned from the Council on September 14, 2015. At its September 21, 2015, meeting, the Council ratified the vote to accept his resignation.

2.3 Sale of properties purchased by the JRC

The JRC entered into contracts to sell 31 of the 36 properties it purchased for redevelopment to Wallace Bajjali and its partners; however, Wallace Bajjali and its partners failed to meet the contractual obligations related to 29 of the properties.

Contracts and extensions

Despite Wallace Bajjali and its partners failure to comply with contractual requirements and obligations, the JRC and city extended real estate purchase contract deadlines related to the land assemblage agreement on multiple occasions. The amendments included no new provisions for earnest monies or payments to be made to further secure the likelihood of Wallace Bajjali and its partners' fulfillment of contract requirements. The JRC and city continued to incur legal and personnel costs related to the multiple contracts and extensions, and had not received funding that could have been utilized for other projects.

J-HAP properties

The JRC sold 5 properties (which were selected and recommended for purchase by Wallace Bajjali) at a loss of \$19,766, when Wallace Bajjali subsequently decided not to purchase and redevelop the properties.

Recommendation

The City Council ensure compliance with future agreements, and consider not entering into such agreements when the buyer does not have financing in place.

Status

In Progress

The JRC and city plan to sell these properties in the future. The JRC and city plan to evaluate and review each future agreement thoroughly and monitor the agreements for compliance.

3.1 Disaster Recovery - Reimbursement claims

The city Finance Department had not filed reimbursement claims timely for approximately \$10.9 million in disaster recovery grant funds. As of May 2015, the Finance Director indicated she had not completed or filed reimbursement claim forms for at least \$6.6 million of Federal Emergency Management Assistance (FEMA) and \$2.7 million of the state's portion of



City of Joplin
Follow-up Report on Audit Findings
Status of Findings

Community Development Block Grant (CDBG) funds for completed projects. In addition to the \$9.3 million, the Finance Department had not allocated city labor and equipment expenses, totaling \$1,646,000, incurred during the time period immediately following the tornado, to the applicable FEMA projects and requested reimbursement.

Recommendation

The City Council consider hiring additional staff or reassigning duties of existing staff, and ensure procedures are in place to request reimbursements timely.

Status

Implemented

The city did not hire additional staff or reassign duties of existing staff. However, as of March 12, 2016, the Finance Director had prepared and submitted all claims for reimbursement to FEMA for completed projects and the city's labor and equipment expenses totaling \$7,745,769 and donated resources totaling \$555,725. No further reimbursement claims for completed FEMA projects are expected. The city received \$2,636,867 in September 2015, for the state's portion of CDBG funds for completed projects. The city has requested, but not yet received \$63,546 of CDBG funds for completed projects.

On January 5, 2016, the city filed an extension with FEMA for 4 projects not started that are expected to be completed by September 2019. As of March 22, 2016, the city had not received notification from FEMA regarding approval of the extension.

**3.2 Disaster Recovery -
Insurance proceeds**

The Finance Department had not timely submitted supporting documentation to the city's insurance company to claim additional proceeds. The insurance company's statement of loss indicated at least \$934,243 had been placed on hold until projects were completed and supporting documentation was submitted by the city for the repair and replacement of damaged city buildings, infrastructure, equipment, vehicles, and other personal property. This amount represents the difference between the actual cash value and the replacement cost for buildings and property damaged by the tornado. City records indicated the city had spent \$1,006,559 for the repair and replacement of some buildings and property since 2012, with replacement of the last fire station in early 2014.

Recommendation

The City Council ensure documentation for insurance claims is submitted timely.



City of Joplin
Follow-up Report on Audit Findings
Status of Findings

Status

Implemented

The Finance Department submitted documentation to the city's insurance company and received proceeds based upon replacement cost totaling \$836,734 in December 2015. No further insurance proceeds are expected.

**3.3 Disaster Recovery -
Duplication of benefits**

The city had not taken proper action to ensure that neither the city, nor property owners, received a duplication of benefits from federal disaster recovery funds and other sources. Federal law generally prohibits federal assistance when financial assistance has been received from another source.

Demolition

City officials in the Public Works and Finance Department assessed and issued special tax bills to some property owners to collect the same demolition costs reimbursed to the city through the FEMA, State Emergency Management Assistance (SEMA), and CDBG grants, resulting in a duplication of benefits.

Debris removal

The Finance Department failed to establish adequate procedures to process and timely bill property owners for repayment of duplication of benefits related to a debris removal FEMA project.

Recommendation

The City Council establish plans to address the potential duplication of benefits caused by the collection of both special tax bills and federal assistance for demolition costs. The Council should also actively pursue collection of duplication of benefits from property owners and their insurance carriers related to debris removal, and work with FEMA to resolve any duplication of benefits.

Status

In Progress

The Finance Department is currently in the process of reviewing special tax bills sent to property owners for demolition costs also reimbursed to the city through the FEMA, SEMA, and CDBG grants to determine if the city received a duplication of benefits. The Finance Director indicated she plans to issue refund checks to property owners in April 2016 for any duplication of benefits the city received.

As of March 15, 2016, the city has worked with insurance carriers and property owners to determine that a duplication of benefits occurred related to debris removal totaling \$640,102 to 348 property owners and their insurance companies. The city has collected approximately 90 percent of this amount (\$577,007). The Finance Director indicated collection of some of the remaining amount may require legal action.



City of Joplin
Follow-up Report on Audit Findings
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4. Sunshine Law Issues	The city did not always comply with Chapter 610, RSMo (the Sunshine Law).
4.1 Closed sessions	Minutes were not prepared for 10 of 24 closed sessions held from the date of the tornado (May 22, 2011) through the year ended October 31, 2013. City officials improved procedures and maintained minutes for 24 of 25 closed sessions held during the period November 1, 2013, through February 28, 2015. In addition, some issues discussed in closed meetings were not allowable under the Sunshine Law.
Recommendation	The City Council ensure closed session minutes are maintained for all closed meetings and only allowable subjects are discussed.
Status	Implemented Minutes were prepared for the 3 closed sessions held since August 2015, and issues discussed were allowable under the Sunshine Law.
4.2 Council work sessions	The Council did not prepare meeting minutes for Council work sessions. Work sessions were held on a fairly regular basis, with 10 held during the year ended October 31, 2014.
Recommendation	The City Council ensure all city business is conducted in compliance with the Sunshine Law, and meeting minutes are maintained.
Status	Implemented Minutes were prepared for the 3 Council work sessions held since August 2015. However, the minutes are not subsequently reviewed and approved at the next Council meeting.
4.3 Agendas	The city did not always give notice of some Council meetings in compliance with the Sunshine Law. The city did not give proper notice for 3 of 11 special meetings held during the year ended October 31, 2014.
Recommendation	The City Council ensure meeting notices are given for all Council meetings.
Status	In Progress Notice was given for all Council meetings held at city hall since August 2015. However, notice was not given when a telephone vote was conducted by the City Attorney and Council on September 13, 2015. The telephone vote was taken on whether to (1) accept Councilmember Woolston's settlement offer/resignation and (2) reimburse Councilmember Woolston for legal fees incurred. Councilmember Woolston resigned from the Council on September 14, 2015. The City Attorney indicated each Councilmember was polled separately and a conference call was not conducted. The City



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Attorney subsequently documented the discussion of the acceptance of Woolston's settlement as an emergency situation. Section 610.015, RSMo, requires a quorum of the members be physically present at the meeting location before any other members are allowed to participate by telephone when a roll call vote is necessary due to an emergency.

**5.1 Procurement Procedures
and Contracts -
Professional services**

The city and the JRC did not solicit proposals for several professional services. In addition, the city and the JRC did not always enter into or update contracts for professional services or ensure invoices were adequately detailed.

Recommendation

The City Council and the JRC solicit proposals for professional services, enter into or update written contracts for professional services, ensure contracts contain provisions to adequately monitor services received, and require submission of adequately detailed invoices prior to payment.

Status

In Progress

The city solicited proposals for some professional services, including lobbying services; third party administrator claim services for property, liability, and workers compensation; tree inventory; and Convention and Visitors Bureau website development and photography services. However, the city still has not solicited proposals for other professional services such as development and hosting of the geographic information system website, legal services related to litigation and liability claims, legal services related to collective bargaining, investment consulting services, pension accounting services, and legal services related to franchise taxes. The Finance Director indicated the city plans to address the solicitation of proposals for these professional services in the near future. The city entered into or updated most of the contracts where proposals were solicited; however, the city did not enter into or update its contract for lobbying services.

**5.2 Procurement Procedures
and Contracts - Bidding**

The city did not always follow its own bid policy for goods and services or retain adequate documentation for selecting other than the low bid. In addition, a signed written contract with effective dates of service was not maintained for landfill fees for debris removal, and the city signed a contract with a vendor for print media buyer services before bids were accepted by the Council.

Recommendation

The City Council ensure bids are solicited for all applicable purchases in accordance with city policy, maintain documentation of decisions made, and ensure bids are opened and evaluated prior to the signing of related contracts. The Council should also ensure all contracts are signed and include effective starting dates.



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Status

Partially Implemented

The city bid some goods and services, including trees for Landreth Park, undercover vehicle leases, body worn cameras and video file maintenance for the Police Department, zoning code updates, printing of the Convention and Visitors Bureau visitors guide, golf course chemicals, and city hall south wall exterior maintenance.

However, the City Council did not follow the city's Charter when bidding a golf course equipment lease. The golf course equipment cost \$140,594 (\$150,594 less the value of trade in of \$10,000) and the related operating lease was obtained for \$160,670 at an interest rate of 4.9 percent. The lease agreement requires 60 monthly payments of \$2,326 and a balloon payment of \$21,089 at the end of the lease. Also, the Council and City Manager did not follow the advice of the City Attorney and Finance Director regarding the procurement of the golf course equipment.

The City Attorney indicated in an email to the City Manager that the agreement with the vendor for the purchase and financing of the golf course equipment "is extremely one-sided against us. Your rush to get this done has prevented us from our normal agreement negotiations." In another email, the City Attorney expressed additional concerns regarding the city's failure to use a competitive bid process as required by city Charter, Section 4.04-Competitive bidding. The Finance Director summarized financial concerns in a memo to the City Manager regarding discrepancies in the interest rate being offered, unreasonable clauses and required payments contained in the lease agreement (if the city returns the equipment), the negative unrestricted net asset balance of the Golf Course Fund, and the lack of an increase in season pass fees to cover the additional costs of the proposed lease. The Finance Director also recommended the city consider a lease-purchase option rather than an operating lease to enable the city to obtain a lower interest rate and own the equipment at the end of the lease.

The City Manager indicated to us and in communications to the City Council he believed a recent golf course rate increase would cover the monthly cost of the lease, and the use of a cooperative agreement provided the equipment to the city at a reasonable cost and was in compliance with the city's bid policy, and recommended the equipment be purchased on an emergency basis. Our review of the cooperative agreement indicated 8 vendors (including the one chosen by the city) were evaluated and awarded bids to provide this type of equipment. Three of these vendors scored higher than the vendor selected by the city, and the cooperative agreement did not include provisions for financing. Further, no competitive bidding of the related financing occurred.



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**5.4 Procurement Procedures
and Contracts - Change
orders**

Significant improvement was needed in the city's handling of change orders. The city did not have a formal written change order policy, and neither the City Manager nor the Council approved change orders for significant amounts or changes in scope of services. The Public Works Department poorly planned projects, resulting in significant change orders, and did not competitively bid significant changes to construction projects, when appropriate. In addition, documentation was not obtained to support some amounts included in the change orders. Further, some of the change orders for a city street resurfacing project were for items not originally included or planned for in the initial bid and some were unrelated to street resurfacing. The Public Works Director also did not retain documentation of his approval of some change orders, and some work was completed before a notice to proceed with work was approved.

Recommendation

The City Council monitor change orders, give consideration to bidding when substantial project changes are needed, and ensure change orders are adequately supported by documentation, approved, and work is not performed prior to approval of change orders or notices to proceed with work. The Council should enter into written contracts for services provided.

Status

Partially Implemented

The Council is in the process of adopting a change order policy. However, the policy grants the City Manager sole authority to approve or deny amendments or change orders to contracts regardless of the dollar amount. The City Manager indicated expenditures are limited to the amount approved in the annual budget. Significant dollar amounts of change orders and changes in scope of projects will not be brought before Council until the end of the year. The policy only requires the City Manager to prepare an annual summary report to Council of contracted work detailing explanations of significant contract amendments and/or change orders. The policy does not address giving consideration to rebidding when substantial project changes are needed. The policy also provides for the City Manager to establish and/or amend internal operating procedures for the proper documentation of all contract amendments and change orders; however, no changes to internal operating procedures have been made. The City Manager indicated he plans to review and implement internal operating procedures during April 2016.

**5.5 Procurement Procedures
and Contracts -
Chamber of Commerce**

The city did not properly monitor its contract with the Joplin Area Chamber of Commerce and provided the chamber comparably more funding than some other cities. During the year ended October 31, 2014, the city paid the chamber \$342,645. In addition, the city did not ensure compliance with the terms of the contract. The city did not ensure the chamber's independent audit reports were filed with the city as required, review documentation to ensure amounts requested for reimbursement were accurate prior to



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payment, and did not obtain/require supporting documentation such as phone or mileage logs of invoices. The city reimbursed the chamber for several expenses that were either incurred by the chamber without prior knowledge of the city or were questionable.

Recommendation

The City Council monitor the contract for compliance and reconsider the amount of funding provided to the chamber. The Finance Department should also ensure adequately detailed invoices are obtained and reviewed to support payments to the chamber.

Status

In Progress

In November 2015, the Council entered into a written contract with the Joplin Area Chamber of Commerce, which reduced the funding to \$270,000 for the year ending October 31, 2016. The new contract indicates that if the independent audit report is requested by the city, the chamber will provide a copy. The Finance Director requested and received the chamber's independent audit report for the 2 years ended March 31, 2015. However, the city did not ensure compliance with other terms of the contract. For example, invoices received from the chamber did not contain adequate detail, amounts charged to the city were inconsistent, and some documentation (such as phone and mileage logs or invoices), were not obtained. Also, the city did not ensure chamber invoices provided adequate details for the city to determine what budget line item the expenses pertained to or how the expenses related to economic development. The Finance Director indicated she plans to require adequately detailed invoices and request the chamber allocate the expenses to the appropriate budget line item and detail how the expenses relate to economic development.

**5.7 Procurement Procedures
and Contracts - Library
district**

The city provided financial support and services to the Joplin Library District, but had not entered into a written contract with the district regarding this relationship.

Recommendation

The City Council enter into a written contract with the Library District.

Status

In Progress

The city has not entered into a written contract with the Library District. The Finance Director indicated the city plans to enter into a written contract with the Library District prior to completion of the new library that is currently under construction.

**6.1 Joe Becker Baseball
Stadium - Lack of
independent study**

The city entered into an agreement with an independent professional baseball organization committing the city to major renovation/construction



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of a city-owned baseball stadium without a feasibility study of independent professional baseball in Joplin.

Recommendation

The City Council obtain feasibility studies of future city projects, as needed.

Status

In Progress

The city has not entered into any new city projects that would require a feasibility study since August 2015. The city still plans to develop a policy regarding new major projects.

The city renegotiated its existing lease agreement with the independent professional baseball organization in January 2016, but did not obtain a study on the continued viability of the baseball team and stadium. In a memo dated November 2015 to the City Manager and Council, the Finance Director reported the baseball organization was currently showing total revenues of \$799,599 and expenditures of \$922,331, resulting in an annual loss of \$122,732. The memo also indicated operating costs incurred by the city were approximately \$317,500 (including the debt payment) or \$123,800 above operating costs in the years prior to the renovation. The new 5 year agreement provides for the baseball organization to pay yearly rent of \$75,000 (decreased from \$150,000 annually), reimburse annual utility costs to the city based upon attendance (these costs were previously paid by the city), and to maintain the premises at its own expense during May 1 to September 30 of each year (the city was previously responsible for a percentage of total operating and maintenance costs). City officials believe the new agreement will provide the city a net savings for the overall operations related to the stadium.

**7.1 Disbursements and
Payroll - Manual and
system generated checks**

The city had not established policies for the use of manual checks; however, the Finance Director indicated manual checks should only be issued in the case of an emergency. We identified several manual checks that did not meet the emergency criteria. The city had not limited access to the signature plate used on system generated checks or to the manual and system generated check stock. The city also had not adequately limited who had the authority to sign manual checks. The Finance Department's Senior Accountant did not account for the numerical sequence of system generated and manual checks during his review of the bank reconciliation, and the Accounts Payable Clerk did not account for the numerical sequence of manual checks upon preparation of the manual check log. Further, the check signing machine had the capability to count the number of times a signature was applied; however, the Finance Director indicated this information was not used to reconcile system generated checks issued to the system generated check stock used. In addition, the Finance Department shredded all voided checks.



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Recommendation

The City Council establish policies regarding the use of manual checks; limit access to the signature plate and check stock; and limit the number of individuals with signature authority on manual checks. The Council should also ensure the Finance Department accounts for the numerical sequence of checks issued and defaces and retains all voided checks.

Status

In Progress

The city has not established a policy for the use of manual checks. Seven manual checks totaling \$4,761 were issued in December 2015, and January and February 2016, and some of the checks issued did not meet the emergency criteria. These checks included those issued for meal costs. Access to the signature plate and check stock has been limited to the Finance Director and Assistant Finance Director. The Senior Accountant, who prepares the bank reconciliation, no longer has the authority to sign manual checks. The numerical sequence of system generated checks and manual checks is currently being accounted for. The count of the number of times a signature is applied by the check signing machine is still not used to reconcile to system generated checks issued and the related check stock used. The Finance Director indicated the Finance Department plans to implement a laser printer to generate checks this summer that will no longer require the check signing machine. The Finance Department was still shredding all voided checks as of March 1, 2016, and a documented review of the voided check report was not performed; however, this practice was discontinued in March 2016, and voided checks are currently being retained.

**7.2 Disbursements and
Payroll - Purchase
orders**

Purchase orders were sometimes approved or prepared after the date of the corresponding invoices. In addition, purchases at 2 local stores where the city had charge accounts were made prior to the preparation of the purchase order requisition. The city's purchasing policy required preparation of purchase requisitions and approval of purchase orders by the applicable employees prior to purchase for all disbursements.

Recommendation

The City Council ensure purchase orders, including those for local store charge accounts, are prepared and approved in accordance with city policy.

Status

Partially Implemented

Despite the existing purchasing policy, purchase orders continue to be approved or prepared after the date of the corresponding invoice. Purchases at 2 local stores where the city has charge accounts continue to be made prior to the preparation of the purchase order requisition. However, the City Manager indicated the Finance Department plans to conduct training for both employees and supervisors on how to best use the city purchasing software to ensure that purchase orders are entered prior to receiving invoices. The City Manager also indicated the city is making improvements



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to its notification system to alert departments when the purchasing policy is not being followed.

**7.4 Disbursements and
Payroll - Questionable
disbursements**

Several purchases were identified that did not seem reasonable and/or a benefit to the city. Food purchases were sometimes made without documentation of the business purpose or the persons in attendance as required by city policy. The city provided meals for all Council meetings and work sessions held, spending \$12,401 for these meals during the year ended October 31, 2014. The city spent approximately \$16,500 for an employee appreciation banquet during the year ended October 31, 2014, and the Human Resource Specialist could not recall or provide documentation of the winners of the prizes or a list of banquet attendees. The city spent \$4,584 for the 2014 Christmas dinner attended by city employees and retirees and their families. It was questionable why the city spent approximately \$3,500 to send the former City Manager and 2 city employees to Tuscaloosa, Alabama, for 3 days to observe and discuss Tuscaloosa's recovery from an EF-4 tornado. No documentation was retained to support the benefits received from this trip, and some costs of the trip were excessive.

Recommendation

The City Council ensure purchases are reasonable and prudent uses of public funds. The Council should also develop comprehensive policies regarding city food purchases that establish specific guidelines regarding what is proper and allowable along with documentation requirements.

Status

Partially Implemented

Food purchases reviewed documented the business purpose as required by city policy. The city continues to provide meals for all Council meetings and work sessions held. In addition to the approximate 15 meals previously provided, meals are now provided for all department heads that attend the meetings and work sessions. The city spent \$3,268 in January and February 2016, in comparison to \$983 spent in January and February 2015, for these meetings. The city spent \$13,900 for the employee appreciation banquet held during the year ended October 31, 2015. Documentation was provided of the winners of prizes, and a list of employees who planned to attend the banquet was prepared. The city spent \$4,606 for the 2015 Christmas dinner attended by city employees and retirees and their families. A comprehensive policy regarding food purchases has not been established. The Finance Director indicated she plans to establish a comprehensive policy regarding food purchases in the future. Our review of city purchases since August 2015, identified a questionable October 2015 purchase of a drone with a video camera, costing \$1,407, for the Parks and Recreation Department's use. The purchase requisition was unclear and only described this purchase as a "camera" and did not describe it as a drone with a video camera, and the



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need or purpose for the purchase of the drone was not documented or approved prior to purchase.

7.6 Disbursements and
Payroll - Segregation of
payroll duties

Payroll duties were not adequately segregated. The Payroll Clerk was responsible for entering information from timesheets into the electronic payroll system, verifying the information, and submitting the information for preparation of payroll disbursements. The Payroll Clerk processed her own and her husband's payroll information, and a documented supervisory review of the related payroll records was not performed.

Recommendation

The City Council segregate payroll duties to the extent possible and implement appropriate reviews and monitoring procedures.

Status

In Progress

Payroll duties have not been segregated, and the Assistant Finance Director only performs a documented supervisory review of individual payroll records of the Payroll Clerk and her husband. The Finance Director indicated she performs an overall review of payroll reports and records; however, this review is not documented. The Finance Director indicated she will document her review of these records in the future.

8.1 Overhead Cost
Allocations and
Restricted Funds-
Overhead cost
allocations

The Finance Department used several different calculations to allocate overhead costs (including payroll) to various city funds, some calculations used were questionable, and explanations of the variances in calculations and amounts allocated to city funds/departments was not documented.

Recommendation

The City Council allocate overhead costs to city funds based on specific criteria and retain documentation to support the allocations.

Status

In Progress

No changes to the allocation of overhead costs have been made. The Finance Director indicated she plans to address this recommendation in August 2016 and implement changes at the beginning of the fiscal year ended October 31, 2017.

9.1 Fuel and Vehicle Use
and Vehicle Allowances
- Fuel, vehicle, and
equipment use and
security

The city did not have adequate procedures to review and evaluate the reasonableness of vehicle and equipment usage and did not reconcile fuel usage to billings, and access to the city's public works facility and the unleaded fuel pumps was not adequately restricted.



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Recommendation

The City Council establish adequate records and procedures to effectively monitor vehicle, equipment, and fuel use, restrict access to the fueling center and public works facility, and periodically review access reports for propriety.

Status

Partially Implemented

Fuel usage reports generated from the automated fuel system are still not reconciled to fuel purchases. In addition, odometer readings are still not accurately entered into the fuel pump by city employees at the public works facility. We noted 32 instances in January 2016, where an odometer reading of 0 through 10 was entered. Access to the unleaded fuel pumps and the public works facility is still not adequately restricted. At least 372 employees (only 16 fewer than during the audit) had access to the unleaded fuel pumps, through use of the key fobs at the time of our review in March 2016. In addition, access was gained to the public works facility after hours and on the weekends 287 times during the month of January 2016. A report of who gained access to the fuel pumps and public works facility has been prepared, but not reviewed. The Public Works Department has drafted policies regarding tracking fuel usage and key fobs; however, the policies do not address reconciling fuel usage to billings, restricting access to the fueling center and public works facility, or periodically reviewing access reports. The policy also allows employees to use each other's key fobs. The City Manager indicated significant improvements to the draft policy are planned and for new procedures to be implemented by June 2016.

**9.2 Fuel and Vehicle Use
and Vehicle Allowances
- Take home vehicles**

The city allowed 62 city vehicles to be taken home by city employees and had not established procedures to adequately review and document the necessity and justification for use of the vehicles. Forty of these vehicles were driven to addresses outside the city of Joplin and the remaining 22 were driven to addresses inside the city limits.

Recommendation

The City Council review the necessity and cost effectiveness of allowing employees to take city vehicles home; establish adequate procedures for the justification, approval, and monitoring of take home vehicles; and ensure the city complies with Internal Revenue Service guidelines for reporting personal commuting mileage.

Status

Partially Implemented

The city has not completed a review of the necessity and cost effectiveness of allowing employees to take city vehicles home and has not established procedures for the justification, approval, and monitoring of take home vehicles. The Finance Director indicated she plans to review the cost effectiveness of take home vehicles when time allows. The City Manager has drafted an updated take home vehicle policy, which expands the



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residency requirements for a take home vehicle from the previous 12-mile distance to a 20-mile distance from city hall, unless otherwise authorized by the employee's supervisor. The value of personal commuting mileage was not determined or reported on the Police and Fire Department employees' W-2 forms as compensation in 2015, and a review of the specific criteria required for not reporting has not been completed.

**10.2 Cash Handling Controls
and Procedures -
Receipting, recording,
depositing/transmitting
and concessions**

The Finance Department did not properly account for all receipt slip numbers issued by its accounting system, and the accounting system allowed the user to manually enter the date when a batch was opened. Various city departments issued generic manual receipt slips for some monies collected. The Health Department did not issue manual receipt slips for flu shots administered offsite. Manual receipt slips were issued in the building office of the Public Works Department when the Senior Clerk was absent; however, an independent person did not subsequently reconcile the manual receipt slips to the city's electronically generated receipt slips and the related transmittal to the Finance Department. Documentation was not always maintained to support the transmittal of city monies between city staff or to the Finance Department. The Parks and Recreation Department was not following the city's concessions inventory policy, which required a daily log of inventory of items sold and consumed to be maintained and for periodic surprise audits to be conducted.

Recommendation

The City Council account for the numerical sequence of receipt slip numbers, ensure monies are properly receipted and transmitted/deposited, and work with the city's software vendor to ensure dates batches are opened cannot be changed. The Council should ensure the Parks and Recreation Department follows the city's concessions inventory policy.

Status

Partially Implemented

The Finance Director indicated because of the magnitude of receipt slips issued and numerous cash collection points across the city is significant, the ability to properly account for all receipt slip numbers issued will require more time to implement. The Finance Department is currently working on reviewing the cash controls of the entire city. As previously indicated in the audit report, the Finance Director believes the cash receipt dates in the electronic software system are sufficiently protected and as a result, no changes have been made to the software. Various city departments continue to issue generic manual receipt slips for some monies collected. The Health Department still does not issue receipt slips for flu shots administered offsite. An independent person in the Public Works Department still does not perform a documented reconciliation of manual receipt slips to the city's electronically generated receipt slips and the related transmittal to the Finance Department. Documentation is still not always maintained to support the transmittal of city monies between city staff or to the Finance Department. The Parks and Recreation Department implemented a new



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system to track concession inventory; however, inventory reports had not been generated or reviewed in compliance with city policy, and a periodic surprise audit has not been conducted.

**11. Finance Department
Controls and Procedures**

Accounting controls and procedures over the city's sewer system and special tax bills needed improvement.

11.1 Adjustments and write-offs

An independent review of adjustments posted to the sewer system was not performed or documented. The Finance Department was not adequately documenting adjustments and write-offs made in the billing system for special tax bills. Adjustment forms were not prepared for some write-offs and the reason for one write-off was not documented. Additionally, while the adjustment forms required two signatures of approval, several of the write-offs were approved with only one signature. A subsequent independent review of adjustments posted to the billing system for special tax bills was also not performed or documented.

Recommendation

The City Council ensure the authorization and reasons for any billing adjustments are adequately documented by the Finance Department and all adjustments posted to the billing system are independently reviewed and approved.

Status

In Progress

Authorization and reasons for billing adjustments are adequately documented, and an independent review of adjustment forms for the sewer system and special tax bills is performed and documented by the Finance Director and the Assistant Finance Director. However, a subsequent independent review of adjustments posted to the sewer and special tax billing systems has not been performed. The Finance Director indicated she plans to implement procedures for a review of adjustments posted to the sewer system and special tax bills in the future as time allows.

**11.2 Late payment penalties,
delinquent sewer
accounts, and write-off
policies**

Late payment penalties were not assessed on delinquent sewer accounts in accordance with city ordinance. In addition, the Finance Department had not established procedures to periodically review delinquent sewer accounts of Finance Department employees or other key city officials. At the time of our review of delinquent sewer accounts in January 2015, an employee in the Finance Department had not made a payment on her sewer bills since July 2014, and had accumulated a delinquent balance of \$486. The city also did not have a written policy for the write-off of uncollectible accounts receivable (sewer, special tax bills, and bus fares).

Recommendation

The City Council ensure penalties are assessed in accordance with city ordinance. The Council should also review past delinquent customer accounts and consider billing for the correct amount of penalties, if appropriate. Ensure an adequate review of delinquent sewer reports is



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performed and sewer service is shut off in accordance with city ordinance. Develop written policies for the write-off of uncollectible accounts.

Status

Partially Implemented

The Finance Department conducted a review of fees charged in August 2015, and the Council adopted a new ordinance effective January 2016, which addressed the late payment penalties assessed. Late payment penalties are now assessed in accordance with city ordinance. The Assistant Finance Director indicated he reviews the delinquent sewer accounts of Finance Department employees; however, his review is not documented. In addition, a city employee, as noted in the audit report, is still not fully paying her sewer bills each month and continued to carry a delinquent balance from April 2015 to March 16, 2016, and had a delinquent sewer balance as high as \$232 (equivalent to 4 months of regular monthly billing) in December 2015. The Finance Director indicated the city has not adopted an ordinance allowing for the review of delinquent sewer accounts of any city employees and key city officials. The city has not established a written policy for the write-off of uncollectible accounts receivable (sewer, special tax bills, and bus fares).

11.3 Administrative fee on
special tax bills

The city assessed the maximum administrative fee of \$500 in addition to title search fees and advertising fees on special tax bills in possible violation of city ordinance. It was unclear why title search fees and advertising fees charged were not considered a part of the maximum administrative fee.

Recommendation

The City Council establish a schedule of fees charged, including defining the types and amounts of costs included in the \$500 administrative fee.

Status

Implemented

The Finance Department conducted a review of fees charged on special tax bills in August 2015, which recommended a change of charges to the actual cost of demolition, legal publication fees, title search fees, and administration expenses. The city is currently not charging for any administrative expenses. The Finance Director indicated if administrative expenses are charged in the future, only actual administrative costs will be charged.

12. Financial Issues and
Reporting

Improvement was needed in the city's handling of certain financial issues and reporting.

12.1 Health Self Insurance
Fund (HSIF)

The city had not prepared adequate long-range plans for the Health Self Insurance Fund (HSIF), and the city had not formally projected whether fund assets along with revenues would be sufficient to cover fund expenses and the minimum reserve balance or if the city would need to subsidize the



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HSIF fund with other city funds. In addition, the city had not utilized a third party administrator contract provision that allowed the city to conduct an audit of claims during the current calendar year or the immediately preceding calendar year.

Recommendation

The City Council closely monitor and take the necessary steps to fund the minimum reserve balance and improve the financial condition of the HSIF, and conduct periodic audits of claims as allowed by contract.

Status

Partially Implemented

The Finance Director indicated she contacted the HSIF consultant in October 2015, regarding preparing long-range plans for the HSIF, including projections of future revenues and costs and adequacy of the minimum reserve balance; however, this work has not been completed. She also indicated the timing of this work is dependent upon funding. In addition, the city has not conducted an audit of claims of the third party administrator.

12.2 Financial issues

The golf course and airport operated at a loss and needed continued financial support from other city funds to cover operating costs. In addition, improvement was needed in the city's handling of airport contracts.

Golf course subsidization

The city had historically operated its golf course at a loss, and as a result, the General Fund was required to subsidize course operations and activities. In addition, the city obtained a golf course study in 2008 that recommended rate increases of 3.33 to 6.25 percent annually; however, the city only increased rates in 2009.

Airport subsidization

The city had historically operated its airport at a loss, and the city had transferred \$650,000 from the Transportation Sales Tax Fund to the Airport Fund in each of the last 4 years (2011 through 2014) to subsidize airport operations and activities. In addition, the city had reported an unrestricted deficit for the Airport Fund for the last 4 years.

Airport lease contracts and parking

The Airport Manager did not adequately monitor hangar lease contracts and had not updated some hangar lease and rental car company contracts. Hangar lease contracts did not provide for late payment penalties or eviction procedures for lack of payment. In addition, the Finance Department lacked adequate collection procedures for delinquent accounts, and the city did not charge for parking at the airport, a common revenue source for most airports.

Recommendation

The City Council closely monitor the ongoing financial condition of the Golf Course Fund and Airport Fund. Take the necessary steps to ensure timely collection of delinquent airport accounts and consider including contract provisions for late payment penalties and eviction procedures, and



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charging for parking at the airport. Ensure airport contracts are updated periodically and signed by both parties.

Status

In Progress

During the year ended October 31, 2015, the city continued to operate its golf course at a loss, and the city subsidized course operations and activities from the General Fund. In addition, the city reported an unrestricted deficit for the golf course of \$285,932. The golf course had revenues of \$420,629 and expenditures of \$674,891, resulting in an operating loss of \$254,262 during the year ended October 31, 2015. Golf course rates were increased 14 to 36 percent in June 2015 and another 9 to 11 percent in January 2016.

During the year ended October 31, 2015, the city continued to operate its airport at a loss, and the city transferred \$650,000 from the Transportation Sales Tax Fund to the Airport Fund to subsidize airport operations and activities. In addition, the city reported an unrestricted deficit for the Airport Fund of \$905,105. The Airport Fund had revenues of \$739,841 and expenditures of \$2,193,837, resulting in an operating loss of \$1,453,996 during the year ended October 31, 2015.

The Finance Director closely monitors and reports to Council the financial condition of these funds.

Hangar lease contracts have been updated and mailed to tenants, which provide for late payment penalties and eviction procedures; however, the contracts have not been signed by the tenants and returned to the airport/city. The Airport Manager is currently working with the rental car company to update its contract. As of March 14, 2016, 20 tenants had over a month's balance due and one tenant owed \$4,565, equivalent to over 27 months of rent at \$165 per month. The Finance Department has not established any new procedures for the collection of delinquent accounts, but plans to implement policies and procedures for the collection of these accounts in the future. City officials believe free parking attracts people from outside the region to fly in and out of Joplin, rather than using other area regional airports such as Springfield, Tulsa, or Northwest Arkansas. The officials further believe the benefit of free parking outweighs any potential revenue from charging for it.

12.3 Calculation of excess revenues

The city and the municipal division did not have procedures in place to identify traffic violation tickets and the associated fines and court costs collected. The city's fiscal year ended October 31, 2014 and 2013, audited financial reports were timely filed with the State Auditor's Office, and included an accounting of the percent. However, our review determined the reported percent was not accurate because it included both traffic and general ordinance violations.



City of Joplin
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The City Council accurately calculate the percent of annual general operating revenue from fines and court costs related to traffic violations as required by law.

Status

In Progress

The Finance Director has implemented procedures to identify traffic violation tickets and the associated fines and court costs collected so that an annual calculation can be performed.

13. Internal Audit Function

The city did not have an internal audit function or similar alternative arrangements for audits of various processes. In addition, some recommendations made by the city's independent financial statement auditor for the year ended October 31, 2013, had not been implemented.

Recommendation

The City Council consider appointing an internal auditor or contracting with an independent audit firm to conduct audits of specific city operations and activities.

Status

Not Implemented

City officials indicated given the financial constraints of the city, it has not been able to appoint an internal auditor and has not contracted with an independent audit firm to conduct audits of specific city operations and activities. The city also has not been able to utilize current city staff to audit specific city operations and activities.



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Pemiscot County

Pemiscot County

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Pemiscot County

We have conducted follow-up work on certain audit report findings contained in Report No. 2015-120, *Pemiscot County* (rated as Poor), issued in December 2015, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation provided by county officials and held meetings with county officials. Documentation provided included county budgets, County Commission meeting minutes, bank statements, receipt and deposit records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed by June 2016.

Nicole R. Galloway, CPA
State Auditor

Pemiscot County

Follow-Up Report on Audit Findings

Status of Findings

1. Financial Condition and Budgets Several county funds were in poor financial condition, and the financial condition had been affected by poor budgeting decisions.

- 1.1 Financial condition The financial condition of the county was weak, and the County Commission did not adequately monitor budgets. The cash balances of the General Revenue and Assessment Funds continued to deteriorate during the year ended December 31, 2015. Additionally, the county continued to operate some funds with negative cash balances. As a result, the county was using other county funds included in its bank account, including restricted funds, to meet general cash flow needs.

Recommendation

The County Commission closely monitor the financial condition of the General Revenue and Assessment Funds and take the necessary steps to improve the financial condition of the county. The County Commission should also perform long-term planning and ensure receipts are maximized and disbursements are closely monitored. In addition, the County Commission should also ensure budgets are adequately monitored and establish procedures to ensure disbursements are made within the constraints of the budget.

Status

In Progress

The Assessment Fund's cash balance, which was projected to have a negative balance at December 31, 2015, ended the year with a positive balance and is projected to have a positive balance at December 31, 2016. However, the General Revenue Fund's cash balance was negative at December 31, 2015, and is still projected to be negative at December 31, 2016. Some improvement was made in the General Revenue Fund's cash balance as it went from (\$1,427,470) at December 31, 2014, to (\$1,298,731) at December 31, 2015, and is projected to be (\$1,031,593) at December 31, 2016.

The County Commission minutes indicate the County Commission is monitoring the budget for all funds, including ensuring all disbursements are being made within the constraints of the budget. The County Commissioners indicated they hope to have the General Revenue Fund's cash balance positive within 5 years. However, there is no documentation of a formal, long-term plan to establish how that will be accomplished.

- 1.2 Budgetary procedures Budgetary procedures were not adequate and contributed to the county's poor financial condition. The County Commission continued to approve deficit budgets for multiple funds, including the General Revenue, Assessment, Juvenile Grant, and Deputy Sheriff Salary Supplement Grant Funds for 2015. The County Commission continued to approve budgeted disbursements in excess of budgeted receipts for funds with deficit balances.



Pemiscot County
Follow-up Report on Audit Findings
Status of Findings

Recommendation	The County Commission refrain from budgeting deficit balances.
Status	Partially Implemented The County Commission refrained from budgeting deficit balances for all funds except the General Revenue Fund in the 2016 budget. The County Commissioners indicated they hope to have the General Revenue Fund's cash balance positive within 5 years and then they will refrain from budgeting a deficit balance in that fund.
2. Sheriff's Inmate and Commissary Monies	Records and procedures over inmate and commissary monies needed improvement.
2.1 Receipts	The Sheriff's office did not account for the numerical sequence of receipt/transaction numbers in the computerized accounting system. In addition, the method of payment (cash, check, or money order) was not always indicated in the system accurately or reconciled to the composition of deposits.
Recommendation	The Sheriff ensure the numerical sequence of receipt/transaction numbers is accounted for properly. The Sheriff should also ensure the method of payment is accurately entered into the system and the composition of receipt slips is reconciled to the composition of deposits.
Status	Not Implemented The Sheriff indicated he had contacted the current commissary system vendor concerning accounting for the numerical sequence of receipt/transaction numbers and was informed that the current system does not have this capability. He has started checking with other commissary system vendors, but has not taken specific steps to replace the current system. In addition, only cash is now accepted to replenish each inmate's commissary account balance so indicating the method of payment is not necessary.
2.2 Bank reconciliations	The Sheriff's office had not attempted to reconcile the inmate bank account since October 2014. Follow up procedures had not been performed on reconciling items shown on detailed bank reconciliations for the inmate bank account. At our request, personnel generated a detailed bank reconciliation showing all individual reconciling items from the inmate bank account as of October 14, 2014. We noted 244 checks and debit cards totaling \$13,397 outstanding with the oldest check dating back to 2005. Inmates released from jail with an account balance did not always retrieve their funds when released. At October 14, 2014, the inmate and commissary bank account had an adjusted balance of \$4,430, but the office's accounting system showed the balance as negative \$10,317.



Pemiscot County
Follow-up Report on Audit Findings
Status of Findings

Recommendation	The Sheriff perform bank reconciliations monthly. In addition, the Sheriff should review the reconciling items and ensure any differences are promptly investigated.
Status	Not Implemented The Sheriff indicated a detailed bank reconciliation and review of reconciling items would not be possible until a new commissary system vendor was obtained, and no specific steps have been taken to obtain a new system.
2.3 Liabilities	Office personnel had not identified month-end liabilities (inmate balances) and reconciled the liabilities to available cash balances to ensure monies in the bank account were adequate to cover amounts due to inmates. At our request, a report was generated and as of October 14, 2014, inmate balances totaled \$2,494.
Recommendation	The Sheriff ensure individual inmate account balances and various liabilities are compared to the reconciled bank account balance monthly and any discrepancies are promptly investigated
Status	Not Implemented A month-end liabilities list had not been prepared as of February 2016. The Sheriff indicated such a listing would not be possible until a new commissary system vendor was obtained, and no specific steps have been taken to obtain a new system.
3. County Assessor's Controls and Procedures	Controls and procedures in the County Assessor's office needed improvement.
3.1 Segregation of duties	One employee was primarily responsible for collecting receipts and transmitting the monies to the County Treasurer. An independent or supervisory review was not performed to ensure all monies received were transmitted to the County Treasurer.
Recommendation	The County Assessor adequately segregate duties for collection of receipts or ensure independent or supervisory reviews of receipts and transmittals are performed and documented.
Status	Implemented The County Assessor indicated the current process is to have each receipt signed by the issuer, and then initialed by a second person when the monies are transmitted to the County Treasurer. We verified these procedures by



Pemiscot County
Follow-up Report on Audit Findings
Status of Findings

reviewing receipt slips issued and agreeing receipts for January and February 2016 to the County Treasurer's records.

3.2 Receipting procedures

Office personnel did not issue receipt slips for monies received or record receipts in a ledger. In addition, checks were not restrictively endorsed when received.

Recommendation

The County Assessor establish procedures to ensure all monies received are properly receipted, promptly recorded, and checks are restrictively endorsed immediately upon receipt.

Status

Implemented

Receipt slips for January and February 2016 indicated monies received were properly receipted and included all required information. While the County Assessor does not record receipts in a ledger, a review of the County Treasurer's records indicated receipts are promptly transmitted to the County Treasurer and timely recorded by the County Treasurer. The County Assessor indicated the office policy is to restrictively endorse all checks as they are received. No checks were on hand at the time of our review.

4. Public Administrator's Controls and Procedures

Controls and procedures in the Public Administrator's office needed improvement.

4.1 Annual settlements

The Public Administrator did not file annual settlements timely. In addition, the Circuit Court, Probate Division did not follow up with the Public Administrator when annual settlements were not filed by their due date.

Recommendation

The Public Administrator file annual settlements timely. In addition, the Circuit Court, Probate Division should follow up with the Public Administrator on all annual settlements not filed by the required date.

Status

Implemented

The Probate Clerk indicated she is now tracking when annual settlements are due by using both a spreadsheet and by entering the due dates into the judicial calendar, which she reviews on a daily, weekly, and monthly basis. We reviewed the spreadsheet listing of all wards required to have an annual settlement as of June 16, 2016, and noted no annual settlements were past due.

4.2 Bank reconciliations

The Public Administrator did not always prepare monthly bank reconciliations timely. We noted numerous instances where the Public Administrator completed multiple monthly bank reconciliations for the same account on the same day.



Pemiscot County
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The Public Administrator prepare bank reconciliations monthly for all wards' bank accounts.

Status

Not Implemented

At the time of our follow-up review, the Public Administrator had not performed bank reconciliations monthly for all wards. The Public Administrator indicated due to the large number of wards she handles she cannot perform bank reconciliations timely, and does not have plans to implement the recommendation.

5.1 County Procedures -
Review of property
taxes

Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The County Clerk did not use the information she maintained for tax charges, additions and abatements, and the County Collector's monthly settlements to create a detailed account book or other records summarizing property tax charges, transactions, and changes. No evidence was provided to indicate procedures were performed to verify the accuracy and completeness of the County Collector's annual settlements.

Recommendation

The County Clerk maintain a detailed account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

Status

Not Implemented

At the time of our follow-up review, no steps had been taken to implement this recommendation. In addition, the County Clerk indicated that there are no plans in place to implement the recommendation.



Office of Missouri State Auditor
Nicole Galloway, CPA

**Monthly Report on Municipal Court
and Revenue Filings
May 2016**

Monthly Report on Municipal Court and Revenue Filings

May 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this compilation is to report the filing status for the cities, towns, and villages with a November 30, 2015, fiscal year end, that were required to file a financial report by May 31, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030, and, when applicable, a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180. The filing status for these 2 cities is presented in summary on page 3 and by individual entity in Appendix A. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them.

Section 479.362, RSMo, provides that the State Auditor's Office (SAO) notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the addendum provision of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, and will not be transmitting any information related to the addendum under Section 479.359, RSMo, to the Department of Revenue.

This report also includes the updated filing status for cities, towns, and villages that filed at least one of the items (financial report, addendum, or certification) in May 2016, after their filing deadline. The filing status for these 14 cities and villages is presented in summary on page 3 and by individual entity in Appendix B and Appendix C.

Nicole R. Galloway, CPA
State Auditor

The following staff participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
General Counsel: Paul Harper, JD
Senior Analyst: Dana Wansing, MPA

Monthly Report on Municipal Court and Revenue Filings

May 2016

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359.1, RSMo, effective August 28, 2015, requires every county, city, town, and village to annually calculate the percentage of its annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations.

Section 479.359.3 provides that all municipalities file an addendum to the annual financial report containing (1) annual general operating revenue; (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations; and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the provisions of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, but has identified entities filing addendums.

Section 479.360, RSMo, effective August 28, 2015, requires every county, city, town, and village that operates a municipal court to file with its annual financial report a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. 15 CSR 40-3.180 provides the procedure to file the municipal court certification. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

This report includes the filing status for the 2 cities with a fiscal year end of November 30, 2015, whose financial reports or certifications were due by May 31, 2016. Of the 2 entities, both filed an annual financial report and one filed an addendum. The only entity with a municipal court filed the required certification. No counties had to file within the reporting period of this report.

This report also includes the filing status for 14 cities and villages that filed at least one of the items (financial report, addendum, or certification) in May 2016, after their filing deadline. Of these entities, 3 filed an annual financial report, 4 filed an addendum, and 6 filed a municipal court certification.

Appendix A
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due May 31, 2016

Fiscal Year Ended November 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Florissant	Yes	Yes	Yes
City of Mayview	Yes	–	n/a
Total Filed	2	1	1
Total Not Filed	0	–	0
Total N/A			1

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

n/a Entities without a municipal judge are not required to file a certification.

Appendix B
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due March 31, 2016
Filed in May 2016
Fiscal Year Ended September 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum [‡]	Filed Certification
City of Bonne Terre	Yes	—	No
City of Buffalo	**	Yes	n/a ³
City of Higginsville	**	Yes	Yes
City of Marshall	**	—	Yes
City of Odessa	No	—	Yes
City of Sullivan	Yes	**	**
Total Filed	2	2	3

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by March 31, 2016.

n/a Entities without a municipal judge are not required to file a certification

3 Officials reported the political subdivision does not have a municipal court.

Appendix C
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in May 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*^	Filed Certification^
Fiscal Year Ended February 28, 2015			
Village of Freeburg	Yes	**	n/a
Fiscal Year Ended March 31, 2015			
Village of Hillsdale	** ²	** ^{1,2}	Yes
Fiscal Year Ended April 30, 2015			
City of Palmyra	** ²	Yes	***
Fiscal Year Ended June 30, 2015			
City of Green Ridge	No	—	Yes
City of Lilbourn	No	***	n/a ³
City of Summersville	***	*** ¹	Yes
City of Wellington	***	***	n/a ³
City of Wood Heights	***	Yes	**
Total Filed	1	2	3

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

^ 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the SAO addendum and certification forms by cities, towns, or villages with a fiscal year end before August 28, 2015.

** Filed by December 31, 2015.

*** Filed after December 31, 2015, but before May 1, 2016.

n/a Entities without a municipal judge are not required to file a certification

1 The percent was calculated and presented in the financial report or separate document (not the SAO addendum form) or the entity indicated no court revenues were received.

2 Filed before August 28, 2015.

3 Officials reported the political subdivision does not have a municipal court.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Barton County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Barton County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, LLC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

June 2016
Report No. 2016-040

ANNUAL FINANCIAL REPORT

BARTON COUNTY, MISSOURI

For the Years Ended
December 31, 2015 and 2014

BARTON COUNTY, MISSOURI

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INTRODUCTORY SECTION

BARTON COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Mike Davis

Associate Commissioner – Dennis Wilson

Associate Commissioner – Jeff Tucker

Other Elected Officials

Assessor – Ivan Frieden

Circuit Clerk – Janet Maupin

Collector - Treasurer – Barba Parrish

Coroner – C. Tucker Joustra

County Clerk – Kristina Crockett

Prosecuting Attorney – Steven Kaderly

Public Administrator – Teresa Moore

Recorder – Kathleen Dimond

Sheriff – L. Mitchell Shaw

McBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Barton County, Missouri

We have audited the accompanying financial statements of Barton County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as identified in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Barton County, Missouri on the basis of the financial reporting provisions prescribed or permitted by Missouri Law, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Barton County, Missouri, as of December 31, 2015 and 2014, or changes in financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of each fund of Barton County, Missouri, as of December 31, 2015 and 2014, and their respective cash receipts and disbursements, and budgetary results for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Barton County, Missouri’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated May 9, 2016, on our consideration of Barton County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
May 9, 2016

FINANCIAL SECTION

BARTON COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2014 AND 2015

	Cash and Cash Equivalents			Cash and Cash Equivalents			Cash and Cash Equivalents
Fund	January 1, 2014	Receipts 2014	Disbursements 2014	December 31, 2014	Receipts 2015	Disbursements 2015	December 31, 2015
General Revenue	\$ 576,860	\$ 1,252,352	\$ 1,241,974	\$ 587,238	\$ 1,249,984	\$ 1,295,276	\$ 541,946
Special Road & Bridge	730,856	1,228,954	1,101,611	858,199	1,507,264	1,301,353	1,064,110
Assessment	124	175,900	176,022	2	204,439	204,440	1
Recorder's	26,286	5,564	10,430	21,420	5,678	5,165	21,933
Administrative Handling Cost	38,069	2,502	8	40,563	1,880	-	42,443
Law Enforcement Sales Tax	80,285	717,880	798,164	1	768,404	768,401	4
Prosecuting Attorney Training	1,609	607	977	1,239	615	1,483	371
Law Enforcement Training	3	10,170	9,029	1,144	3,651	4,795	-
Petty Cash	200	644	644	200	372	372	200
Election	12,984	6,093	1,881	17,196	11,992	675	28,513
911 Emergency Service	573,588	126,888	187,639	512,837	127,500	97,809	542,528
Rescue & Recovery	780	147	927	-	-	-	-
Crisis Intervention	758	-	-	758	-	-	758
Local Emergency Preparedness Committee	2,520	-	2,449	71	2,531	1,526	1,076
Collector's Tax Maintenance	49,400	22,960	3,232	69,128	18,213	3,644	83,697
Sheriff's Discretionary	10,241	21,709	31,180	770	10,847	9,004	2,613
Law Enforcement K-9	1,092	2,708	935	2,865	8	1,220	1,653
Sheriff's Revolving	18,277	4,896	4,290	18,883	12,246	7,769	23,360
DARE	1,690	5	-	1,695	6	-	1,701
Noxious Weed	4,894	-	-	4,894	-	-	4,894
Law Enforcement Budget Allocation	-	51,000	51,000	-	-	-	-
Road & Bridge Budget	-	175,279	175,279	-	293,515	293,515	-
Inmate Security	-	6,802	-	6,802	14,111	15	20,898
Federal Forfeiture Account	8,788	25	1,673	7,140	23	-	7,163
Total	\$ 2,139,304	\$ 3,813,085	\$ 3,799,344	\$ 2,153,045	\$ 4,233,279	\$ 3,996,462	\$ 2,389,862

The accompanying Notes to the Financial Statements are an integral part of this statement.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND Year Ended December 31,				
	2014		2015	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 103,000	\$ 111,921	\$ 109,500	\$ 109,012
Sales taxes	500,000	554,881	545,000	530,151
Intergovernmental	78,243	71,074	82,989	68,465
Charges for services	457,620	470,522	457,565	451,929
Interest	3,500	2,418	2,000	2,431
Other	13,090	14,476	13,340	20,286
Transfers in	27,060	27,060	29,560	67,710
Total Receipts	<u>\$ 1,182,513</u>	<u>\$ 1,252,352</u>	<u>\$ 1,239,954</u>	<u>\$ 1,249,984</u>
DISBURSEMENTS				
County Commission	\$ 169,211	\$ 157,594	\$ 168,130	\$ 151,321
County Clerk	76,465	75,310	75,310	74,628
Elections	89,360	76,390	56,850	53,281
Buildings and grounds	138,317	114,688	162,600	103,809
Employee fringe benefits	152,202	151,464	173,200	167,877
Collector	107,950	98,843	112,700	94,275
Recorder of Deeds	82,963	82,237	79,763	77,114
Circuit Clerk	23,100	15,667	29,700	14,396
Court administration	51,473	11,700	217,177	20,069
Public Administrator	58,790	58,071	59,200	56,896
Prosecuting Attorney	117,270	109,543	118,802	104,921
Juvenile Officer	24,855	21,246	24,465	21,495
Coroner	24,375	19,616	21,420	19,457
Other County Government	170,255	161,493	205,875	169,611
Health and Welfare	33,854	34,162	31,775	34,529
Transfers out	69,036	53,950	74,326	131,597
Emergency fund	35,476	-	37,199	-
Total Disbursements	<u>\$ 1,424,952</u>	<u>\$ 1,241,974</u>	<u>\$ 1,648,492</u>	<u>\$ 1,295,276</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (242,439)	\$ 10,378	\$ (408,538)	\$ (45,292)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>576,860</u>	<u>576,860</u>	<u>587,238</u>	<u>587,238</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 334,421</u>	<u>\$ 587,238</u>	<u>\$ 178,700</u>	<u>\$ 541,946</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD & BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,332,500	1,195,264	1,383,903	1,474,918	24,693	24,768	24,768	26,007
Charges for services	-	-	-	-	112,880	118,824	122,000	112,563
Interest	5,000	2,687	2,500	20,090	50	44	40	43
Other	47,100	22,195	1,500	3,448	-	86	-	-
Transfers in	8,808	8,808	8,808	8,808	69,036	32,178	74,326	65,826
Total Receipts	<u>\$ 1,393,408</u>	<u>\$ 1,228,954</u>	<u>\$ 1,396,711</u>	<u>\$ 1,507,264</u>	<u>\$ 206,659</u>	<u>\$ 175,900</u>	<u>\$ 221,134</u>	<u>\$ 204,439</u>
DISBURSEMENTS								
Salaries	\$ 150,000	\$ 127,175	\$ 150,000	\$ 130,814	\$ 113,268	\$ 110,590	\$ 111,493	\$ 110,278
Employee fringe benefits	51,620	39,586	42,288	42,288	37,348	32,544	37,165	34,946
Materials and supplies	299,100	68,131	159,350	73,380	3,000	6,923	13,967	9,107
Services and Other	285,425	173,327	183,114	59,811	46,160	19,322	51,510	49,438
Capital Outlay	55,000	3,821	46,000	4,779	7,000	6,643	-	-
Construction	1,069,000	562,511	626,194	760,939	-	-	7,000	671
Transfers out	127,060	127,060	277,060	229,342	-	-	-	-
Total Disbursements	<u>\$ 2,037,205</u>	<u>\$ 1,101,611</u>	<u>\$ 1,484,006</u>	<u>\$ 1,301,353</u>	<u>\$ 206,776</u>	<u>\$ 176,022</u>	<u>\$ 221,135</u>	<u>\$ 204,440</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (643,797)	\$ 127,343	\$ (87,295)	\$ 205,911	\$ (117)	\$ (122)	\$ (1)	\$ (1)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>730,856</u>	<u>730,856</u>	<u>858,199</u>	<u>858,199</u>	<u>124</u>	<u>124</u>	<u>2</u>	<u>2</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 87,059</u></u>	<u><u>\$ 858,199</u></u>	<u><u>\$ 770,904</u></u>	<u><u>\$ 1,064,110</u></u>	<u><u>\$ 7</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 1</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	RECORDER'S FUND				ADMINISTRATIVE HANDLING COST FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	6,400	5,489	5,000	5,604	-	-	-	-
Charges for services	-	-	-	-	2,000	2,382	2,500	1,742
Interest	200	75	75	74	350	120	250	138
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 6,600</u>	<u>\$ 5,564</u>	<u>\$ 5,075</u>	<u>\$ 5,678</u>	<u>\$ 2,350</u>	<u>\$ 2,502</u>	<u>\$ 2,750</u>	<u>\$ 1,880</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	1,000	-	1,000	-
Services and other	9,286	10,430	6,000	5,165	4,000	8	4,000	-
Capital outlay	-	-	-	-	4,000	-	4,000	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 9,286</u>	<u>\$ 10,430</u>	<u>\$ 6,000</u>	<u>\$ 5,165</u>	<u>\$ 9,000</u>	<u>\$ 8</u>	<u>\$ 9,000</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (2,686)	\$ (4,866)	\$ (925)	\$ 513	\$ (6,650)	\$ 2,494	\$ (6,250)	\$ 1,880
CASH and CASH EQUIVALENTS, JANUARY 1	<u>26,286</u>	<u>26,286</u>	<u>21,420</u>	<u>21,420</u>	<u>38,069</u>	<u>38,069</u>	<u>40,563</u>	<u>40,563</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 23,600</u>	<u>\$ 21,420</u>	<u>\$ 20,495</u>	<u>\$ 21,933</u>	<u>\$ 31,419</u>	<u>\$ 40,563</u>	<u>\$ 34,313</u>	<u>\$ 42,443</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	513,000	554,882	541,000	530,156	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	100,100	87,880	119,561	99,440	750	603	750	613
Interest	150	80	50	4	5	4	5	2
Other	97,550	45,766	74,950	65,737	-	-	-	-
Transfers in	7,500	29,272	7,500	73,067	-	-	-	-
Total Receipts	<u>\$ 718,300</u>	<u>\$ 717,880</u>	<u>\$ 743,061</u>	<u>\$ 768,404</u>	<u>\$ 755</u>	<u>\$ 607</u>	<u>\$ 755</u>	<u>\$ 615</u>
DISBURSEMENTS								
Salaries	\$ 364,804	\$ 394,582	\$ 303,712	\$ 347,227	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	146,395	98,552	139,347	115,513	-	-	-	-
Materials and supplies	59,270	65,202	54,750	39,466	-	-	-	-
Services and other	212,496	211,582	226,549	214,815	1,700	977	1,700	1,483
Capital outlay	6,600	19,438	3,750	4,422	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	8,808	8,808	8,808	46,958	-	-	-	-
Total Disbursements	<u>\$ 798,373</u>	<u>\$ 798,164</u>	<u>\$ 736,916</u>	<u>\$ 768,401</u>	<u>\$ 1,700</u>	<u>\$ 977</u>	<u>\$ 1,700</u>	<u>\$ 1,483</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (80,073)	\$ (80,284)	\$ 6,145	\$ 3	\$ (945)	\$ (370)	\$ (945)	\$ (868)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>80,285</u>	<u>80,285</u>	<u>1</u>	<u>1</u>	<u>1,609</u>	<u>1,609</u>	<u>1,239</u>	<u>1,239</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 212</u>	<u>\$ 1</u>	<u>\$ 6,146</u>	<u>\$ 4</u>	<u>\$ 664</u>	<u>\$ 1,239</u>	<u>\$ 294</u>	<u>\$ 371</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				PETTY CASH FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,000	2,386	2,400	2,442	-	-	-	-
Interest	-	6	5	3	-	-	-	-
Other	1,350	1,278	1,250	1,002	500	644	750	372
Transfers in	6,500	6,500	-	204	-	-	-	-
Total Receipts	<u>\$ 10,850</u>	<u>\$ 10,170</u>	<u>\$ 3,655</u>	<u>\$ 3,651</u>	<u>\$ 500</u>	<u>\$ 644</u>	<u>\$ 750</u>	<u>\$ 372</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	10,800	9,029	4,795	4,795	500	644	750	372
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 10,800</u>	<u>\$ 9,029</u>	<u>\$ 4,795</u>	<u>\$ 4,795</u>	<u>\$ 500</u>	<u>\$ 644</u>	<u>\$ 750</u>	<u>\$ 372</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 50	\$ 1,141	\$ (1,140)	\$ (1,144)	\$ -	\$ -	\$ -	\$ -
CASH and CASH EQUIVALENTS, JANUARY 1	<u>3</u>	<u>3</u>	<u>1,144</u>	<u>1,144</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 53</u>	<u>\$ 1,144</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 200</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ELECTION FUND				911 EMERGENCY SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	129	250	41
Charges for services	6,000	4,449	5,000	8,765	120,000	124,993	125,000	125,266
Interest	40	50	50	83	3,500	1,742	1,500	1,776
Other	1,547	1,594	5,183	3,144	762	24	576	417
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 7,587</u>	<u>\$ 6,093</u>	<u>\$ 10,233</u>	<u>\$ 11,992</u>	<u>\$ 124,262</u>	<u>\$ 126,888</u>	<u>\$ 127,326</u>	<u>\$ 127,500</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	500	173	-	-
Services and other	7,700	1,881	4,738	675	237,226	79,834	154,680	70,726
Capital outlay	-	-	5,000	-	255,600	107,632	25,150	27,083
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 7,700</u>	<u>\$ 1,881</u>	<u>\$ 9,738</u>	<u>\$ 675</u>	<u>\$ 493,326</u>	<u>\$ 187,639</u>	<u>\$ 179,830</u>	<u>\$ 97,809</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (113)	\$ 4,212	\$ 495	\$ 11,317	\$ (369,064)	\$ (60,751)	\$ (52,504)	\$ 29,691
CASH and CASH EQUIVALENTS, JANUARY 1	<u>12,984</u>	<u>12,984</u>	<u>17,196</u>	<u>17,196</u>	<u>573,588</u>	<u>573,588</u>	<u>512,837</u>	<u>512,837</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 12,871</u>	<u>\$ 17,196</u>	<u>\$ 17,691</u>	<u>\$ 28,513</u>	<u>\$ 204,524</u>	<u>\$ 512,837</u>	<u>\$ 460,333</u>	<u>\$ 542,528</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	RESCUE & RECOVERY FUND				CRISIS INTERVENTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	1	-	-	-	-	-	-
Other	10,000	146	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 10,000</u>	<u>\$ 147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	4,500	697	-	-	750	-	750	-
Capital outlay	4,000	230	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 8,500</u>	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 1,500	\$ (780)	\$ -	\$ -	\$ (750)	\$ -	\$ (750)	\$ -
CASH and CASH EQUIVALENTS, JANUARY 1	<u>780</u>	<u>780</u>	<u>-</u>	<u>-</u>	<u>758</u>	<u>758</u>	<u>758</u>	<u>758</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 2,280</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8</u></u>	<u><u>\$ 758</u></u>	<u><u>\$ 8</u></u>	<u><u>\$ 758</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LOCAL EMERGENCY PREPAREDNESS COMMITTEE FUND				COLLECTOR'S TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,700	-	1,860	2,531	-	-	-	-
Charges for services	-	-	-	-	19,000	22,771	22,000	17,948
Interest	-	-	-	-	200	189	175	265
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,700</u>	<u>\$ -</u>	<u>\$ 1,860</u>	<u>\$ 2,531</u>	<u>\$ 19,200</u>	<u>\$ 22,960</u>	<u>\$ 22,175</u>	<u>\$ 18,213</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 2,500	\$ 2,500	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	44	-	92	50	172	5,000	1,000
Services and other	2,700	2,405	1,860	1,434	11,600	143	6,650	144
Capital outlay	-	-	-	-	7,000	417	5,850	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	2,500	2,500
Total Disbursements	<u>\$ 2,700</u>	<u>\$ 2,449</u>	<u>\$ 1,860</u>	<u>\$ 1,526</u>	<u>\$ 21,150</u>	<u>\$ 3,232</u>	<u>\$ 20,000</u>	<u>\$ 3,644</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (2,449)	\$ -	\$ 1,005	\$ (1,950)	\$ 19,728	\$ 2,175	\$ 14,569
CASH and CASH EQUIVALENTS, JANUARY 1	<u>2,520</u>	<u>2,520</u>	<u>71</u>	<u>71</u>	<u>49,400</u>	<u>49,400</u>	<u>69,128</u>	<u>69,128</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 2,520</u>	<u>\$ 71</u>	<u>\$ 71</u>	<u>\$ 1,076</u>	<u>\$ 47,450</u>	<u>\$ 69,128</u>	<u>\$ 71,303</u>	<u>\$ 83,697</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S DISCRETIONARY FUND				LAW ENFORCEMENT K-9 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	22,000	12,728	17,000	10,699	-	-	-	-
Interest	-	-	-	-	-	4	-	8
Other	10,100	8,981	8,700	148	1,000	2,704	2,000	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 32,100</u>	<u>\$ 21,709</u>	<u>\$ 25,700</u>	<u>\$ 10,847</u>	<u>\$ 1,000</u>	<u>\$ 2,708</u>	<u>\$ 2,000</u>	<u>\$ 8</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	2,500	872	1,000	317	-	-	-	-
Services and other	11,100	11,357	9,700	3,496	935	935	3,200	1,220
Capital outlay	13,500	4,951	15,000	5,191	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	14,000	14,000	-	-	-	-	-	-
Total Disbursements	<u>\$ 41,100</u>	<u>\$ 31,180</u>	<u>\$ 25,700</u>	<u>\$ 9,004</u>	<u>\$ 935</u>	<u>\$ 935</u>	<u>\$ 3,200</u>	<u>\$ 1,220</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (9,000)	\$ (9,471)	\$ -	\$ 1,843	\$ 65	\$ 1,773	\$ (1,200)	\$ (1,212)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>10,241</u>	<u>10,241</u>	<u>770</u>	<u>770</u>	<u>1,092</u>	<u>1,092</u>	<u>2,865</u>	<u>2,865</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 1,241</u>	<u>\$ 770</u>	<u>\$ 770</u>	<u>\$ 2,613</u>	<u>\$ 1,157</u>	<u>\$ 2,865</u>	<u>\$ 1,665</u>	<u>\$ 1,653</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S REVOLVING FUND				DARE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	7,300	4,845	6,000	12,180	1,500	-	1,000	-
Interest	40	51	49	66	-	5	-	6
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 7,340</u>	<u>\$ 4,896</u>	<u>\$ 6,049</u>	<u>\$ 12,246</u>	<u>\$ 1,500</u>	<u>\$ 5</u>	<u>\$ 1,000</u>	<u>\$ 6</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	400	3,452	3,300	169	-	-	-	-
Services and other	-	-	-	-	700	-	1,175	-
Capital outlay	9,500	838	500	100	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	7,500	7,500	-	-	-	-
Total Disbursements	<u>\$ 9,900</u>	<u>\$ 4,290</u>	<u>\$ 11,300</u>	<u>\$ 7,769</u>	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 1,175</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,560)	\$ 606	\$ (5,251)	\$ 4,477	\$ 800	\$ 5	\$ (175)	\$ 6
CASH and CASH EQUIVALENTS, JANUARY 1	<u>18,277</u>	<u>18,277</u>	<u>18,883</u>	<u>18,883</u>	<u>1,690</u>	<u>1,690</u>	<u>1,695</u>	<u>1,695</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 15,717</u>	<u>\$ 18,883</u>	<u>\$ 13,632</u>	<u>\$ 23,360</u>	<u>\$ 2,490</u>	<u>\$ 1,695</u>	<u>\$ 1,520</u>	<u>\$ 1,701</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	NOXIOUS WEED FUND				LAW ENFORCEMENT BUDGET ALLOCATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	60,000	51,000	61,500	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 51,000	\$ 61,500	\$ -
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	4,894	-	4,894	-	60,000	51,000	61,500	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 4,894	\$ -	\$ 4,894	\$ -	\$ 60,000	\$ 51,000	\$ 61,500	\$ -
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,894)	\$ -	\$ (4,894)	\$ -	\$ -	\$ -	\$ -	\$ -
CASH and CASH EQUIVALENTS, JANUARY 1	4,894	4,894	4,894	4,894	-	-	-	-
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ -	\$ 4,894	\$ -	\$ 4,894	\$ -	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ROAD & BRIDGE BUDGET FUND				INMATE SECURITY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	3,929	4,000	6,012
Interest	-	-	-	-	-	8	-	48
Other	165,279	75,279	65,279	91,233	-	2,865	5,550	8,051
Transfers in	-	100,000	250,000	202,282	-	-	-	-
Total Receipts	<u>\$ 165,279</u>	<u>\$ 175,279</u>	<u>\$ 315,279</u>	<u>\$ 293,515</u>	<u>\$ -</u>	<u>\$ 6,802</u>	<u>\$ 9,550</u>	<u>\$ 14,111</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	3,600	15
Services and other	165,279	175,279	315,279	293,515	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 165,279</u>	<u>\$ 175,279</u>	<u>\$ 315,279</u>	<u>\$ 293,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,600</u>	<u>\$ 15</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,802	\$ 5,950	\$ 14,096
CASH and CASH EQUIVALENTS, JANUARY 1	-	-	-	-	-	-	6,802	6,802
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,802</u>	<u>\$ 12,752</u>	<u>\$ 20,898</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

FEDERAL FORFEITURE ACCOUNT FUND				
Year Ended December 31,				
	2014		2015	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	25	25	23
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 23</u>
DISBURSEMENTS				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-
Materials and supplies	-	-	-	-
Services and other	2,000	-	4,000	-
Capital outlay	2,000	1,673	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>\$ 4,000</u>	<u>\$ 1,673</u>	<u>\$ 4,000</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,000)	\$ (1,648)	\$ (3,975)	\$ 23
CASH and CASH EQUIVALENTS, JANUARY 1	<u>8,788</u>	<u>8,788</u>	<u>7,140</u>	<u>7,140</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 4,788</u></u>	<u><u>\$ 7,140</u></u>	<u><u>\$ 3,165</u></u>	<u><u>\$ 7,163</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Barton County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, and Collector - Treasurer.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Barton County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered to comprise the County's legal entity.

Certain elected County officials, particularly the Collector - Treasurer, Circuit Clerk and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable

or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the Inmate Security fund in 2014.
10. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

Fund	2015	2014
Recorder's	N/A	✓
Petty Cash	N/A	✓
Road & Bridge Budget	N/A	✓
Law Enforcement Sales Tax	✓	N/A

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for the calendar year 2015 and 2014, for purposes of taxation were:

	2015	2014
Real Estate	\$ 107,750,903	\$ 105,256,404
Personal Property	49,168,802	45,956,420
Railroad and Utilities	23,580,141	21,106,391
Total	<u>\$ 180,499,846</u>	<u>\$ 172,319,215</u>

For calendar years 2015 and 2014, the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property as follows:

	2015	2014
General Revenue	\$0.0500	\$0.0500

- F. Cash Deposits and Cash Equivalents

Deposits and cash equivalents are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from these balances is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. The cash and cash equivalents balances are detailed in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND CASH EQUIVALENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption. Cash and cash equivalents include both deposits and short-term investments with maturities less than 90 days.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, the carrying amounts of the County's deposits were \$2,389,862 and \$2,153,045, respectively, and the bank balances were \$2,588,602 and \$2,424,999, respectively. Of the bank balances, \$250,000 at December 31, 2015 and 2014 were covered by federal depository insurance. The remainder of the balances at December 31, 2015 and 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2015 and 2014, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. Tax collections on deposit amounted to \$7,077,348 and \$6,049,944 at December 31, 2015 and 2014, respectively. The County Collector's deposits were covered by federal depository insurance of \$250,000 as of December 31, 2015 and 2014. The remainder of the balances at December 31, 2015 and 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any

city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-573-632-9203.

3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2015 and 2014, the County collected and remitted to CERF employee contributions and fees collected of approximately \$111,075 and \$119,857, respectively, for the years then ended.

B. Prosecuting Attorney's Retirement Fund

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted the State of Missouri is responsible for administration of this plan. The County contributed \$2,244 for both the years ended December 31, 2015 and 2014.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to 30 days of sick leave to accrue at one day per complete calendar month of employment. Upon termination, an employee will not be compensated for accumulated sick leave. Vacation time is accrued for every full time employee, and accrues at the rate of one day per month up to one and one-half days per month depending on the length of employment. Employees may accrue up to fifteen days of vacation. Upon termination, an employee will be compensated for accumulated vacation time.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Rural Services Workers Compensation Insurance Trust. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$1,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. LONG TERM DEBT

At December 31, 2015, \$383,628 is owed on a \$1,543,580 loan from the Missouri Transportation Finance Corporation (MTFC) for which the County is serving as fiscal agent. The loan was taken out to finance road construction within the County. The costs of the project and the repayment of the loan are being shared by the County, the City of Lamar, the City of Lamar Heights, the Barton County Ambulance District, and the Barton County Memorial Hospital. Under the terms of the agreement, the County, the City of Lamar, and the City of Lamar Heights will pay back a total of \$481,193, while the Barton County Ambulance District and the Barton County Memorial Hospital will pay back \$50,000. The loan is payable in annual payments of \$59,663 due on August 1 each year through 2022 with an interest rate of 2.17%. The County receives loan payments from the other entities and then makes the payment to MTFC. The Road & Bridge Budget fund has been created for this purpose. The County made payments of \$293,515 and \$175,279 to MTFC during the years ended December 31, 2015 and 2014, of which \$202,282 and \$100,000 represented the County's portion of the payments transferred from the Special Road & Bridge fund.

At December 31, 2015, the Law Enforcement Sales Tax fund owed the Special Road & Bridge fund \$61,660 from past money borrowed. The Commission has created a plan to make annual payments from the Law Enforcement Sales Tax fund to the Special Road & Bridge fund of \$8,808 for ten years through 2022. The County made payments of \$8,808 during the years ended December 31, 2015 and 2014.

8. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 9, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the County Commission and
Officeholders of Barton County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Barton County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Barton County, Missouri's basic financial statements and have issued our report thereon dated May 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Barton County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Barton County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Barton County, Missouri's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barton County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 1.

We also noted one other matter that we reported to management of Barton County, Missouri in the accompanying schedule of findings and recommendations section as item 2.

Barton County, Missouri's Response to Findings

Barton County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. Barton County, Missouri's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
May 9, 2016

McBRIDE, LOCK & ASSOCIATES, LLC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the County Commission and
Officeholders of Barton County, Missouri

Report on Compliance for Each Major Federal Program

We have audited Barton County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Barton County, Missouri's major federal programs for the years ended December 31, 2015 and 2014. Barton County, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Barton County, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Barton County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Barton County, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, Barton County, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2015 and 2014.

Report on Internal Control over Compliance

Management of Barton County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Barton County, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Barton County, Missouri's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-01 to be a significant deficiency.

Barton County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Barton County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
May 9, 2016

BARTON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2014	2015
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through State Highway and Transportation Commission:			
20.205	Highway Planning and Construction	BRO-B006(17)	\$ 248,104	\$ 155,372
		BRO-B006(18)	311,850	-
		BRO-B006(19)	30,821	243,594
		BRO-B006(20)	36,052	278,796
		Total	\$ 626,827	\$ 677,762
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I		2,159	148
20.607	Alcohol Open Container Requirements		6,384	-
ELECTION ASSISTANCE COMMISSION				
	Passed through the Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments		1,559	1,586
U. S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through State Department of Public Safety:			
97.036	Disaster Grants - Public Assistance (Presidentially-declared Disasters)		11,682	1,558
97.042	Emergency Management Performance Grants		8,783	4,769
Total Expenditures of Federal Awards			<u>\$ 657,394</u>	<u>\$ 685,823</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

BARTON COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C - SUBRECIPIENTS

There were no federal funds passed through to sub-recipients during the years ended December 31, 2015 or 2014.

BARTON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

-Material weakness(es) identified: Yes X No

-Significant deficiency(ies) identified not
considered to be material weaknesses? Yes X None reported

-Noncompliance material to financial
statements noted? X Yes No

Federal Awards:

Internal control over major programs:

-Material weakness(es) identified: Yes X No

-Significant deficiency(ies) identified not
considered to be material weaknesses? X Yes None reported

Type of auditors' report issued on
compliance for major programs? Unmodified

Any findings disclosed that are required
to be reported in accordance with
section 510(A) of Circular A-133? X Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

1. Budgetary Controls

Summary Schedule of Prior Audit Findings:

1. Accounting for Transfers
2. Budgetary Controls
3. Timely Filing of the Collector's Settlement

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-01: Incorrect Schedule of Expenditures of Federal Awards (SEFA)

Federal Grantor: U.S. Department of Transportation

Pass-through Grantor: Highway and Transportation Commission

Federal CFDA Number: 20.205

Program Title: Highway Planning and Construction

Pass-through Entity Identifying Number: BRO-B006(17), BRO-B006(18), BRO-B006(19), BRO-B006(20)

Award Year: 2015

Questioned Costs: None

Federal Grantor: U.S. Department of Homeland Security

Pass-through Grantor: Missouri Department of Public Safety

Federal CFDA Number: 97.036

Program Title: Disaster Grants – Public Assistance (Presidentially-declared Disasters)

Pass-through Entity Identifying Number: n/a

Award Year: 2014

Questioned Costs: None

Condition: The County Clerk did not prepare an accurate Schedule of Expenditures of Federal Awards (SEFA) for both the years ending December 31, 2015 and 2014. The SEFA presented for audit for December 31, 2015 reported total expenditures for CFDA 20.205 of \$770,003, however, the correct amount of expenditures for this program during the year was \$677,762, resulting in an overstatement of expenditures of \$92,241. Also, \$11,682 of federal expenditures under CFDA 97.036 were not included on the SEFA for the year ended December 31, 2014. The SEFA presented in this report has been adjusted to report the correct amounts.

Cause: The County Clerk indicated that the expenditures for CFDA 20.205 on the SEFA for 2015 were based on the amount of reimbursements received, rather than the amount disbursed. The overstatement was a result of including on the 2015 SEFA \$110,181 disbursed in 2014 and reported on the 2014 SEFA but for which the County received reimbursement from MODOT in 2015. \$17,940 of expenditures were incurred in 2015 but were not reported on the 2015 SEFA since the County was not reimbursed until 2016.

The expenditures of funds under CFDA 97.036 were not included on the SEFA for 2014 because the money was passed-through the state and the County believed the grant to be state funds instead of federal.

Effect: The SEFA presented for audit did not accurately reflect the County's actual expenditures of federal awards for both the years ended December 31, 2015 and 2014.

Criteria: OMB Circular A-133, section .300 (b) requires auditees to "Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs." Section .310 (d) requires auditees to "Prepare appropriate financial statements, including the schedule of expenditures of Federal awards...."

Recommendation: We recommend that the County Clerk implement controls to ensure that future Schedules of Expenditures of Federal Awards are prepared accurately on the cash basis of accounting and include all federal awards expended by the County.

Corrective Action Plan: Barton County will endeavor to accurately prepare future SEFA's and strive to report all federal awards on them.

Auditor's Evaluation: The response is appropriate to correct the concern.

SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior audit federal award findings or questioned costs.

FINDINGS AND RECOMMENDATIONS

BARTON COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

None

ITEMS OF NONCOMPLIANCE

1. Budgetary Controls

Condition: Actual expenditures exceeded budgeted expenditures for three funds in 2014 and one fund in 2015. The detailed list of funds can be found in Note 1.D.10 to the financial statements. The over-expenditure of the Law Enforcement Sales Tax fund in 2015 was the result of an audit adjustment to correct a journal entry that resulted in negative disbursements being recorded to the fund. RSMo 50.740 prohibits expenditures in excess of the approved budgets.

The County did not adopt a formal budget for the Inmate Security fund in 2014. The fund was created in February 2014, subsequent to the approval of the 2014 budget, and no amendment was made to include the newly created fund.

Budgetary controls are significant to the proper management and custodianship of county funds. Compliance with statutory requirements related to budgets will improve controls over county funds and help maintain the integrity of the budget process.

Recommendation: We recommend the County strictly adhere to the authorized spending limits as documented in the adopted County budget or follow the appropriate procedures to amend the budget and ensure funds are available to finance the expenditure. We also recommend that the County adopt complete formal budgets for all funds as required by law.

County's Response: Barton County will strive to monitor authorized spending limits adopted in the budget and will complete formal budgets for all funds.

Auditor's Evaluation: The response is appropriate to correct the concern.

OTHER MATTERS

2. Monitoring of Pledged Collateral

Condition: The County Collector - Treasurer has not been monitoring the amount of collateral pledged by the bank to ensure that the collateral is adequate to secure the County's deposits in excess of FDIC coverage. The County is required to protect all deposits in excess of the \$250,000 FDIC insurance coverage threshold to ensure that the deposits of public funds can be recovered in the event of a bank failure. While the deposits as of December 31, 2014 and 2015, the County's deposits in excess of FDIC coverage were adequately collateralized, the Collector - Treasurer is not receiving periodic reports from the bank stating the amount of pledged collateral held in the County's name.

Recommendation: We recommend that the County Collector - Treasurer monitor the amount of pledged collateral held by the bank in the County's name in order to ensure the sufficient collateral is held to secure the County's deposits in excess of FDIC coverage.

County's Response: Per request to the bank, the Collector-Treasurer has received a report stating the amount of pledged collateral held in the County's name dated April 30, 2016. We will continue to receive this report and monitor it on a monthly basis.

Auditor's Evaluation: The response is appropriate to correct the concern.

BARTON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Barton County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2011 and 2010.

1. The transfers reported in both 2011 and 2010 did not balance, in that transfers to other funds were not in agreement with transfers from other funds.

Status: This finding is resolved. Transfers in and transfers out were in balance during 2015 and 2014.

2. The County Commission did not exercise adequate budgetary control over the Local Use Sales Tax fund during 2010. Therefore, expenditures were approved for payment that exceeded the approved budget.

Status: Not resolved. See Finding 1.

3. The County Collector - Treasurer filed annual settlements later than the due date of the first Monday in March in 2012, 2011, and 2010.

Status: This finding is resolved. All of the Collector's Annual Settlements were filed timely during the audit period.



Office of Missouri State Auditor
Nicole Galloway, CPA

**Twenty-First Judicial Circuit
City of Pine Lawn
Municipal Division**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Pine Lawn Municipal Division

Accounting Controls and Procedures	The municipal division lacks adequate procedures to ensure all electronic payments received are deposited. The division uses a vendor to process electronic payments. The vendor notifies division personnel when payments are made and direct deposits the payments into the city's bank accounts. Auditors identified \$15,200 in bond receipts recorded between February 17, 2015, and February 2, 2016, that were not deposited into the bond bank account until after our inquiry because of a processing error that went undetected. The division also does not prepare accurate bank reconciliations for the bond account and has inadequate procedures to follow up on outstanding checks. The court administrator does not generate a monthly list of liabilities (open bonds) for comparison to the reconciled bond bank account balance and is unable to identify open bonds comprising the account balance. Division personnel do not adequately monitor accrued costs owed to the court, including fines and court costs, and there is no follow-up on pending cases not transferred to the new case management system.
Municipal Division Procedures	Municipal division records are not maintained in an accurate, complete and organized manner. Division personnel could not locate 3 of 60 case files requested during the audit, and some files lacked necessary records, such as tickets, dockets, or warrants. The Prosecuting Attorney does not sign all tickets processed by the division, and his approval of amended or dismissed tickets is not always documented. The police department also collects a \$10 bond processing fee, but state law does not allow for this fee.
Ticket Accountability	The city police department and municipal division lacked procedures to adequately account for all tickets issued and could not locate 17 of 25 missing tickets selected for review from approximately 640 tickets that were unaccounted for during the audit period.
Monitoring of Excess Revenue	The city failed to accurately calculate excess revenues from traffic violations, and based on auditors' calculations, more than \$400,000 should be remitted to the Department of Revenue for the fiscal year ended June 30, 2015.
Vehicle Stop Reporting	The city did not retain adequate records to support 2014 vehicle stop data submitted to the Attorney General's Office, and auditors could not review the accuracy of the data submitted.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Twenty-First Judicial Circuit

City of Pine Lawn Municipal Division

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Twenty-First Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Pine Lawn, Missouri

We have audited certain operations of the City of Pine Lawn Municipal Division of the Twenty-First Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo, and as part of the State Auditor's Municipal Courts Initiative. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2015. The objectives of our audit were to:

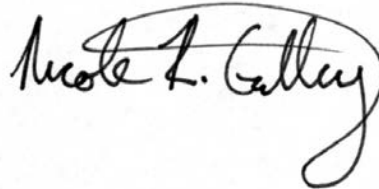
1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Pine Lawn Municipal Division of the Twenty-First Judicial Circuit.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written in a smaller, more compact script between the first and last names.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Deborah Whitis, MBA, CPA, CIA, CFE
In-Charge Auditor:	Robert McArthur II
Audit Staff:	Steven J. Barton

Twenty-First Judicial Circuit

City of Pine Lawn Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. For the year ended June 30, 2015, the municipal division's case management system indicates net collections totaled approximately \$1.73 million. Bonds recorded in the case management system and deposited into the municipal division's bond account during this period totaled approximately \$266,000.

The municipal division used an automated case management system known as Incode. In September 2015, the municipal division began using the Office of State Court Administrator's (OSCA) statewide automated case management system known as the Justice Information System (JIS).

1.1 Electronic payments

The municipal division does not have adequate procedures in place to ensure all electronic payments receipted are deposited.

The municipal division uses a vendor to process receipt of electronic payments (credit/debit cards). The vendor notifies municipal division personnel of each payment of fines and court costs made by a defendant and direct deposits the payment into the city's General Revenue bank account. The vendor also notifies the police department of each bond payment made by a defendant and direct deposits these payments into the bond bank account held by the city. Based on the notifications of collections from the vendor, court personnel post the payments into the court's records. However, neither city, municipal division, nor police department personnel reconcile the electronic payments recorded to amounts direct deposited into the bank accounts to ensure all electronic payments have been processed properly.

Our review of the bond bank account statements identified no deposits of electronic bond payments since February 17, 2015, but bond receipt records showed electronic payments were collected after this date. We identified \$15,200 in bond receipts recorded between February 17, 2015, and February 2, 2016, that were not deposited into the bond bank account. The Court Administrator contacted the vendor who subsequently verified 82 bond payments totaling \$15,630, including 2 payments recorded prior to fiscal year 2015, were not deposited into the bond bank account. The deposits were not made because of a processing error in the vendor's system that was not identified or corrected until after our inquiry. The vendor direct deposited \$15,630 into the city's bond bank account on February 25, 2016.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, reconciliation procedures should be developed to ensure all electronic payments have been accounted for properly.

1.2 Bank reconciliations

The municipal division does not prepare accurate bank reconciliations for the bond account and has not completed any reconciliations of this account since the former City Treasurer left office in August 2015.



Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division
Management Advisory Report - State Auditor's Findings

Our review of the June 2015 bank reconciliation noted the outstanding check list used in the reconciliation process did not include 22 outstanding checks as discussed in section 1.3, resulting in the reconciled bank and book balances being inaccurate.

Adequate and accurate monthly bank reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded and errors or discrepancies are detected and corrected timely. Complete documentation of the reconciliations, reconciling items, and outstanding checks should be maintained to support conclusions and corrections and to facilitate independent reviews.

1.3 Outstanding checks

The municipal division's procedures to follow up on outstanding checks are not adequate. As of June 30, 2015, the city's records for the bond bank account indicate 64 checks, totaling \$4,998, had been outstanding for over a year. Forty-seven of these checks had been outstanding for more than 2 years, including 37 checks dating back to January 2013. The majority of the January 2013 checks were checks reissued to replace old outstanding bond checks noted in our prior audit of the municipal division (see Report No. 2011-24).

On November 9, 2015, the Court Administrator transmitted 64 bond refund checks returned as undeliverable, totaling \$7,160, to the Unclaimed Property Fund held by the State Treasurer. We reviewed this transmittal and determined it included the 22 checks totaling \$1,332 that were not listed as outstanding on the June 30, 2015, bond account bank reconciliation but had been issued prior to that date. The Court Administrator indicated the former City Treasurer prepared the bank reconciliations during fiscal year 2015 and could not explain why these checks were not included on the outstanding check list. As a result, the reconciled bank balance appears overstated by \$1,332.

The transmittal also included 7 checks totaling \$2,146 that had been outstanding for only 3 months as of October 31, 2015. It is unclear if any attempts were made to locate the owners and reissue these checks prior to transmittal to the State Treasurer. Many additional outstanding checks, including 35 of the January 2013 checks, were not included in the transmittal and require follow-up.

Complete and accurate lists of outstanding checks are necessary to ensure the bank account balance reconciles to the book balance, transactions are properly recorded, and errors or discrepancies are detected and corrected timely. To ensure all monies in the bond account are disbursed properly, established procedures should be followed to routinely investigate any checks remaining outstanding over a specified period of time. Section 447.532, RSMo, requires money held by a municipality to be turned over if it remains unclaimed for more than 3 years and Section 447.595, RSMo,



Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division
Management Advisory Report - State Auditor's Findings

requires bond payments to be turned over if unclaimed 1 year from final court action or termination of the probation period. Section V.C of Municipal Court Operating Order Number 1 requires the Court Administrator to send a letter of notification or otherwise reasonably attempt to contact the person and return the funds. All bond funds unclaimed for 1 year, from the date the bond was due back to a person, shall be paid to the State Treasurer's Unclaimed Property Fund.

1.4 Bond liabilities

The Court Administrator does not generate a monthly list of liabilities (open bonds) for comparison to the reconciled bond bank account balance and is unable to identify open bonds comprising the account balance.

The Court Administrator indicated she does not compare the reconciled bank balance to a list of open bonds because the case management system bond information is not complete. The former Court Administrator maintained outstanding bonds in an older case management system prior to switching to the Incode system, but the data did not transfer to Incode and the Court Administrator cannot locate a list of open bonds from the old system.

Effective October 2015, the bond bank account was closed and the outstanding balance of \$112,117 was transferred into the new JIS bank account. No attempt has been made to update the list of open bonds or identify all open bonds transferred to this account. The JIS account balance, which includes revenues from fines and court costs in addition to bond monies, was \$158,857 at April 30, 2016.

Section VIII.B of Pine Lawn Municipal Court Operating Order Number 1 requires the Court Administrator to reconcile all funds being held in trust by the Court and promptly investigate unusual items or exceptions. Additionally, Missouri Supreme Court Operating Rule No. 4.59 requires all bank balances and open items records be reconciled at least monthly. Monthly reconciliations between liabilities and the reconciled bank account balance are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. In addition, monthly lists of liabilities are necessary to ensure all bond dispositions have been properly recorded and bonds remaining on the liabilities list over a specified amount of time are properly investigated.

1.5 Accrued costs

Municipal division personnel do not adequately monitor accrued costs owed to the court, including fines and court costs. In addition, there is no follow up on pending cases not transferred to the JIS.

Municipal division personnel were unaware the Incode system tracks accrued costs and could produce a complete report of balances due. At our request, the Court Clerk printed a report of accrued costs, and as of March 3, 2016, the report showed there were 6,381 cases with accrued costs totaling



Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division
Management Advisory Report - State Auditor's Findings

approximately \$1 million. However, based on a comparison we performed between manual case records for cases with convictions selected for review, and the accrued costs included in the Incode system report, the accuracy and completeness of the report is questionable because all cases reviewed were not listed.

Effective August 28, 2015, the Municipal Judge recalled approximately 11,000 outstanding warrants and suspended the issuance of any new warrants. These actions coincided with the municipal division's conversion from Incode to the JIS case management system. Cases with recalled warrants were to be given new court dates and entered into the JIS. However, our review of the accrued cost report generated from the JIS on February 2, 2016, indicates only 1,139 cases with accrued costs totaling \$172,654 were being tracked in the JIS. Municipal division personnel are only transferring cases from Incode to the JIS when a defendant comes to the municipal division to make a payment. As a result, potentially thousands of Incode cases not yet transferred to JIS remain pending with no follow-up action taken, including cases with accrued costs. Municipal division personnel indicated the division's limited staff is the biggest factor preventing the timely transfer of cases to the JIS.

Proper and timely monitoring of receivables is necessary to help ensure unpaid amounts are collected and proper follow up action is taken for nonpayment. In addition, proper monitoring is necessary to provide information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible. Also, to ensure the proper handling and timely processing and follow up of cases not yet transferred to the JIS, the municipal division should work with the city to identify additional resources available to complete the transfer process timely and accurately.

Recommendations

The City of Pine Lawn Municipal Division:

- 1.1 Work with the city and police department to ensure electronic payments are reconciled to deposits in the city's accounts and promptly investigate any differences.
- 1.2 Perform monthly bank reconciliations.
- 1.3 Maintain a complete list of outstanding checks and ensure the bank balance is properly reconciled to the book balance. In addition, utilize established procedures and follow up and resolve outstanding checks timely.
- 1.4 Prepare monthly lists of liabilities and reconcile the lists to the bank balance, promptly investigate and resolve differences, and establish procedures to review the status of liabilities to determine the appropriate disposition of funds held.



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Auditee's Response

- 1.5 Establish procedures to routinely generate and review the accrued costs list for accuracy and properly follow up on all amounts due. In addition, work with the city to identify additional resources to timely transfer the remaining cases from Incode to the JIS.
- 1.1 *The Mayor and Board of Aldermen accept the recommendation and intend to closely monitor the accounting controls and procedures of the city. The city has already developed a process for ensuring electronic payments are reconciled to deposits.*
- 1.2 *The Mayor and Board of Aldermen accept the recommendation. The city had performed monthly reconciliations prior to the Treasurer becoming ill. Upon the appointment and confirmation of the new Treasurer the monthly reconciliation will continue.*
- 1.3 *The Mayor and Board of Aldermen accept the recommendation. The new Treasurer will develop a complete list of outstanding checks and ensure the bank balance is properly reconciled to the book balance. Additionally, the city will utilize established procedures and follow up and resolve outstanding checks timely.*
- 1.4 *The Mayor and Board of Aldermen accept the recommendation. The city will require the new Treasurer to prepare a monthly list of liabilities and reconcile the list to the bank balance; promptly investigate and resolve the differences; and establish procedures to review the status of liabilities.*
- 1.5 *The Mayor and Board of Aldermen accept the recommendation. The city will establish procedures to routinely generate and review the accrued costs list for accuracy and properly follow up on all amounts due. Additionally, the city will work to identify resources to timely transfer the remaining cases from Incode to JIS.*

2. Municipal Division Procedures

2.1 Municipal division records

Procedures related to municipal division records, Prosecuting Attorney approval, bond fees, and monthly reporting need improvement.

Municipal division records are not maintained in an accurate, complete, and organized manner. Municipal division personnel document case information for each defendant on backer sheets or dockets maintained in manual case files as well as computerized docket sheets maintained in the case management system. However, information recorded on the backer sheets was very inconsistent, often incomplete, and in some cases blank. The Municipal Judge and Prosecuting Attorney occasionally make notations on the backer sheets or manual dockets; however, this procedure is not done consistently. In addition, municipal division personnel could not locate 3 of 60 case files requested during the audit and documentation, such as the



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ticket, docket, notice, plea agreement, and/or warrant, was not always maintained in the manual case files.

Supreme Court Operating Rule 4.08 requires municipal divisions to maintain a docket or backer sheet for each case. All information regarding the case should be documented including, but not limited to, a copy of the ticket, case number, defendant name, sentence, bond information, warrant information, and disposition of the case. In addition, Supreme Court Operating Rule No. 8.04.7 requires all financial records be maintained for 5 years or until completion of an audit. Accurate recording of the case information and retention of applicable records is necessary to properly account for the municipal division's financial activity. Failure to implement adequate case entry procedures increases the risk that loss, theft, or misuse of funds will go undetected and municipal division records will contain errors.

2.2 Prosecutor approval

The Prosecuting Attorney does not sign all tickets processed by the municipal division and the Prosecuting Attorney's approval of amended or dismissed traffic tickets is not always clearly documented.

The Prosecuting Attorney allows the Court Administrator to maintain and use his signature stamp on traffic tickets and plea agreements. Our review of 56 tickets noted the Prosecuting Attorney's clear authorization to file charges was not always present. Of the 56 tickets, 8 tickets had no signature or other approval notation and the majority of the remaining 48 tickets only contained the Prosecuting Attorney's facsimile signature. Subsequent actions to amend or dismiss charges were also not clearly authorized by the Prosecuting Attorney.

For the 56 tickets reviewed, 28 of 29 plea agreements to amend or dismiss charges were not signed or initialed by the Prosecuting Attorney. The Court Administrator prepares plea agreements on municipal division letterhead to amend traffic violations to non-moving, no-point violations in response to requests she receives from defendant's attorneys. The defendants and their attorneys sign and return the plea agreements directly to the Court Administrator for processing. The Prosecuting Attorney will sometimes initial the plea agreements but this procedure is not done consistently. As a result, there is less assurance the Prosecuting Attorney actually authorized all plea agreements.

In addition, the Court Administrator is allowed to nolle pros (dismiss) traffic violations issued for no proof of insurance if the defendant later provides proof of insurance. It is not always possible to determine which charges were dismissed by the Prosecuting Attorney or dismissed by the Court Administrator and there is no indication charges dismissed by the Court Administrator are reviewed by the Prosecuting Attorney to ensure their propriety.



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The ability of the Court Administrator to amend tickets and apply the Prosecuting Attorney's signature by facsimile stamp without a review by the Prosecuting Attorney is a significant control weakness, and increases the likelihood of tickets being handled improperly and the risk of loss, theft, or misuse of monies going undetected. Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the municipal division. The Prosecuting Attorney's review, documented with his signature, is needed to provide assurance proper cases and charges are filed with the municipal division. Additionally, to ensure the proper disposition of all cases has been entered in the municipal division records, the Prosecuting Attorney should sign or initial all amended or dismissed tickets indicating his review and approval.

2.3 Bond fees

The police department collects a \$10 bond fee to process bond payments; however, state law does not include provisions to collect such a fee. The police department collected approximately \$14,000 in bond processing fees for the year ended June 30, 2015. The police department should refrain from collecting these fees since the department does not have statutory authority to collect them.

2.4 Report of cases heard

The municipal division does not file a monthly report of cases heard with the city. Without such a report, the city cannot effectively monitor municipal division activity.

Section 479.080.3, RSMo, and Supreme Court Operating Rule 4.29 require the Court Administrator to prepare a monthly report of all cases heard in the court, including the names of the defendants and fines and court costs imposed, to be verified by the Court Administrator or Municipal Judge and filed with the city.

Recommendations

The City of Pine Lawn Municipal Division:

- 2.1 Ensure the proper disposition of cases is documented in manual and electronic records and sufficient documentation is maintained to support all case actions.
- 2.2 Ensure the Prosecuting Attorney signs all tickets and reviews and approves all amended and dismissed tickets. Additionally, the Prosecuting Attorney should discontinue allowing the use of facsimile signatures.
- 2.3 Work with the police department to discontinue collecting bond processing fees.
- 2.4 Ensure a monthly report of cases heard in the municipal division is prepared and filed with the city in accordance with state law and the Supreme Court Operating Rule.



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City of Pine Lawn Municipal Division
Management Advisory Report - State Auditor's Findings

Auditee's Response

- 2.1 *The Mayor and Board of Aldermen accept the recommendation. The court has already corrected the issues raised in this finding. Currently, the city documents all case actions in manual and electronic records.*
- 2.2 *The Mayor and Board of Aldermen accept the recommendation. The Prosecuting Attorney signs all tickets; reviews and approves all amendments and dismissals; and has discontinued allowing the use of facsimile signatures.*
- 2.3 *The Mayor and Board of Aldermen accept the recommendation. The bond processing fee has been discontinued.*
- 2.4 *The Mayor and Board of Aldermen accept the recommendation. Starting June 2016, the court will provide a monthly report to the city of all cases heard.*

3. Ticket Accountability

Neither the city police department nor the municipal division adequately accounted for the numerical sequence or ultimate disposition of all tickets issued. Prior to March 11, 2016, the police department tracked the ticket book numbers assigned to each police officer on a log and each officer was to enter individual ticket information into the Regional Justice Information System (REJIS) when the officer issued a ticket. Supervisory personnel within the police department reviewed and forwarded the tickets, with the exception of those voided or filed with the Circuit Court, to the municipal division for processing.

Effective March 11, 2016, the city closed the police department and began contracting with the North County Police Cooperative (law enforcement cooperative) for law enforcement services. Our review identified the following concerns.

Tickets logs

The municipal division was unable to locate 1 of 11 log pages accounting for 44 ticket books (880 tickets) issued during the audit period. In addition, we noted the police department's procedure was not always followed because officers did not always sign for each ticket book received, and a supervisor did not always sign for each the ticket book issued to an officer.

REJIS

Ticket numbers were not consistently entered into the REJIS system, making it impossible to obtain a comprehensive sequential list of all tickets from the police department.

Missing tickets

At our request, municipal division personnel generated a comprehensive sequential list of all tickets filed with the municipal division during the year ended June 30, 2015. From the listing we identified approximately 640 tickets that were not accounted for. We selected 25 of the missing tickets



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and neither the municipal division nor police department personnel could locate 17 of those tickets.

For 6 of these 25 tickets, the municipal division incorrectly entered the ticket information into the case management system, making it difficult to ensure the tickets had been properly filed.

In addition, 2 of these 25 tickets were voided; however, the police department did not follow consistent procedures for the handling of voided tickets. For example, all copies of voided tickets were not always mutilated and retained, entered into the REJIS system, and forwarded to the municipal division. In addition, the purpose for voiding a ticket was not always documented and approved.

Conclusion

Section VIII.D of Pine Lawn Municipal Court Operating Order Number 1 requires the Court Administrator to work jointly with the police department to account for all traffic tickets in numerical sequence and maintain a record of the disposition of all tickets assigned and issued by the police department. Without properly accounting for the numerical sequence and ultimate disposition of tickets issued, the police department or law enforcement cooperative and the municipal division cannot ensure all tickets are properly submitted for processing. A record should be maintained to account for the ultimate disposition of each ticket to decrease the risk of loss, theft, or misuse of funds. In addition, to ensure all voided tickets can be properly accounted for, written policies and procedures should be prepared for the handling of voided tickets.

Recommendation

The City of Pine Lawn Municipal Division work with the police department or the law enforcement cooperative to ensure the numerical sequence and ultimate disposition of all tickets, including voided tickets, is accounted for properly.

Auditee's Response

The Board of Aldermen accepts the recommendation. The city has contracted with the North County Police Cooperative (Cooperative) for police services. The Cooperative utilizes electronic ticketing, which will address the issue presented in this finding. Notwithstanding, the city will discuss with the Cooperative this audit finding to ensure compliance with this recommendation.

4. Monitoring of Excess Revenue

Procedures related to the calculation of excess revenues due the Missouri Department of Revenue (DOR) are not adequate to ensure compliance with state law. The city's calculation included certain items that were not required to be included in the traffic violation revenue total. Also, the city's general operating revenue calculation improperly included revenues restricted for specific purposes and transfers from other funds, and the percentage



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Management Advisory Report - State Auditor's Findings

calculated was not mathematically accurate. As a result, the city's calculation did not accurately assess the excess revenues owed to the DOR.

The city's excess revenue calculation (from unaudited financial records) for the year ended June 30, 2015, indicated the city's 2015 revenues from traffic violations totaled \$1,297,068, general operating revenues totaled \$3,710,659, and incorrectly computed the percent of general operating revenues from traffic violation revenues as 0.00 percent. The city did not retain documentation supporting the general operating revenue amount, and we were unable to verify the reported revenues from traffic violations. The city has not paid any excess revenues to the DOR for the year ended June 30, 2015.

Our review of income reports generated for us from the city's accounting system indicated the city's actual total general operating revenue likely totaled only about \$2,660,000. Thus, the amount reported by the city for use in its excess revenue calculation was overstated by approximately \$1,051,000. The city improperly included revenues from restricted city funds (Capital Improvements, Storm Water/Parks, and Trash), and restricted General Fund revenues from state motor vehicle sales taxes and fees, sewer lateral fees, restricted court costs, and transfers from other funds in the calculation. These restricted revenues and transfers should be excluded from the general operating revenues used in the calculation of excess revenues due to the DOR.

Additionally, the revenues from traffic violations reported by the city in its excess revenue calculation was likely overstated by approximately \$72,000. The city improperly included non-traffic ordinance violation revenues and restricted judicial education funds, and excluded unrestricted fees and overpayments because personnel preparing the calculation relied on reports that did not accurately reflect all violation revenues and court costs. Though the municipal division provided annual reports generated from the case management system indicating court revenues by violation type (alcohol traffic, non-traffic, and traffic) to the city for use in its calculation of excess revenues, the city incorrectly reported the total revenues of all violation types from these reports. In addition, our review of copies of the annual reports noted some violation codes were excluded from the reports and the reports did not agree to the totals of the monthly distribution reports and the city deposit records.

By comparing total fines and court costs reported on municipal division monthly distribution reports with non-traffic violation revenue reported on the annual reports provided to the city, we determined traffic violation revenue should have totaled about \$1,225,000. Based on the more accurate amounts identified, the city's percentage of general operating revenues from traffic violations was likely approximately 46 percent (\$1.225 million



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City of Pine Lawn Municipal Division
Management Advisory Report - State Auditor's Findings

divided by \$2.66 million) and more than \$400,000 should be remitted to the DOR for excess revenue for the fiscal year ended June 30, 2015.

Section 302.341, RSMo, (as it existed from August 28, 2013, to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations in its annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR.

Effective August 28, 2015, Senate Bill 5 changes the requirements regarding excess revenues. Section 479.350, RSMo, provides new definitions for elements of the excess revenue calculation. Section 479.359.1, RSMo, requires cities to annually calculate the percent of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations and send the excess revenues to DOR. Section 479.359.2, RSMo, reduces the amounts of these revenues the city may retain in the future.

Due to the impact of these provisions on operations of the municipal division and the city it is important the city and its municipal division take immediate action to implement policies and procedures to ensure future compliance with state law.

Recommendation

The City of Pine Lawn Municipal Division should work with the city to ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues and court revenues in the calculations. In addition, the Board of Aldermen should recalculate excess revenues for fiscal year 2015, maintain documentation to support the calculations, and make appropriate payments to the DOR for any excess revenues identified.

Auditee's Response

The Board of Aldermen accepts the recommendation, as it relates to monitoring excess revenues. However, the city is not in a position to confirm the factual assertion that more than \$400,000 should be remitted to the DOR for excess revenue for the fiscal year ended June 30, 2015. To the extent that excess revenue is due to the DOR, the city will take the necessary steps to adhere to the law.

5. Vehicle Stop Reporting

The City of Pine Lawn Police Department did not retain adequate documentation to support the vehicle stop data submitted to the Attorney General's Office (AGO) for the year ended December 31, 2014.

Police officers were responsible for entering vehicle stop data into the REJIS system and department personnel generated summary reports for the information reported to the AGO. However, documentation to support the



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City of Pine Lawn Municipal Division
Management Advisory Report - State Auditor's Findings

information submitted to the AGO was not retained and we were unable to review the accuracy of the data submitted. As noted in MAR finding number 3, ticket citation numbers were not always entered into the REJIS system, making it difficult to agree the electronically entered vehicle stop data with the original ticket citation.

During our review of 60 tickets issued during the year ended June 30, 2015, we noted 54 tickets had been issued as a result of a vehicle stop. We could not locate stop data in the REJIS system for 33 of these tickets.

Section 590.650, RSMo, requires law enforcement agencies to submit stop data to the AGO annually. Section 109.255, RSMo, authorizes the Missouri Local Records Board, chaired by the Secretary of State, to establish minimum retention periods for records created by local governments. The Police Clerk's Record Retention Schedule established by the Local Records Board requires the racial profiling statistics be retained for a minimum of 1 year after submission to the AGO. To ensure vehicle stop information is accurately reported to the AGO, sufficient documentation should be maintained to support the data submitted.

While the city is no longer responsible for vehicle stop reporting, should city officials ever decide to reestablish a police department procedures should be implemented to ensure compliance with state law concerning vehicle stop reporting.

Recommendation

The City of Pine Lawn should ensure adequate records are maintained to support the vehicle stop information submitted annually to the AGO.

Auditee's Response

The Board of Aldermen accepts the recommendation. The city has contracted with the North County Police Cooperative for police services. Notwithstanding, the city will discuss with the Cooperative this audit finding to ensure compliance with this recommendation.

Twenty-First Judicial Circuit

City of Pine Lawn Municipal Division

Organization and Statistical Information

The City of Pine Lawn Municipal Division is in the Twenty-First Judicial Circuit, which consists of St. Louis County. The Honorable Maura B. McShane serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. Prior to September 2015, the municipal division did not utilize OSCA's statewide automated case management system known as JIS. Instead, the municipal division utilized Incode, an automated case management system provided by Tyler Technologies, Inc., which has been approved for use in municipal divisions by the State Judicial Records Committee.

The City of Pine Lawn voted to discontinue Police Department operations on March 11, 2016, and contracted with the North County Police Cooperative for law enforcement services.

Personnel

At June 30, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	Dean Plocher
Court Administrator	Joyce Lee
Court Clerk II	TJ Clark
Court Clerk II	Barbara Hyster

Financial and Caseload Information

	Year Ended June 30, 2015
Receipts	\$1,733,900
Number of violations	11,946

Court Costs, Surcharges, and Fees¹

Type	Amount
Court Costs (Clerk Fee)	\$ 11.00
Judicial Education Fund	1.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelter	2.00

¹ Apart from the court, the city's police department collects a bond processing fee of \$10 for bond payments.



Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division
Organization and Statistical Information

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2014agencyreports.pdf?sfvrsn=2>. The following table presents 2014 data excerpted from the AGO report for the City of Pine Lawn Police Department. In addition, see information at: <https://ago.mo.gov/home/vehicle-stops-report/2014-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

Racial Profiling Data/2014 - Pine Lawn Police Department - Population 2,388¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	6205	2065	3916	54	45	6	119
Searches	323	47	269	4	2	0	1
Arrests	415	47	358	6	3	0	1
Statewide Population	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population	N/A	1.42	95.52	1.30	0.13	0.42	1.21
Disparity Index ²	N/A	23.37	0.66	0.67	5.77	0.23	1.58
Search Rate ³	5.21	2.28	6.87	7.41	4.44	0.00	0.84
Contraband hit rate ⁴	9.29	17.02	7.43	50.00	0.00	#Num!	0.00
Arrest rate ⁵	6.69	2.28	9.14	11.11	6.67	0.00	0.84

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#Num! indicates zero denominator

The 2015 data is available as of June 1, 2016, and can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2015agencyreports.pdf?sfvrsn=2>.



Office of Missouri State Auditor
Nicole Galloway, CPA

Cass County
Tax Increment Financing



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Cass County Tax Increment Financing

TIF Financing

Tax increment financing (TIF) is an economic development tool that redirects local tax revenues toward the redevelopment of eligible properties that are otherwise economically unfeasible. When a TIF plan is adopted, real estate taxes in the redevelopment area are frozen at the current level. By applying the real estate tax rate to the increased assessed valuation resulting from redevelopment, a tax "increment" is produced. The real estate tax increments are referred to as payments in lieu of taxes (PILOTs).

PILOTs for each TIF district are collected by the county collector and distributed to the cities that authorized the TIF. The cities make further distributions to the TIF special allocation funds and to the other political subdivisions or back to the county collector for redistribution to the political subdivisions. The county assessor prepares reports of assessed valuations that are provided to the county clerk. The county clerk reports assessed valuations to the political subdivisions. The political subdivisions utilize the assessed valuations received from the county clerk to set their property tax levies. The county clerk is also responsible for reporting the assessed valuations to the Department of Elementary and Secondary Education (DESE) and the State Tax Commission. According to state law, the incremental increase in assessed value is not to be included in the total assessed value reported.

Cass County TIFs

In 2015, the Belton School District #124 questioned the accuracy of the assessed valuations reported to the district by the Cass County Clerk. The Cass County Assessor concluded the reports incorrectly included the full assessed valuation amounts for all TIF districts in Cass County. The County Assessor's reports indicated assessed valuations for the purpose of setting the property tax rates were likely overstated by \$23.8 million for 3 county-wide political subdivisions and lesser but significant amounts for 3 school districts, 3 cities, the county road and bridge property tax, a special road district, a community college and one fire protection district. The Belton School District #124 requested the State Auditor investigate the propriety of the assessed valuations reported by the county clerk and used in setting the district's tax rates. Each of the 12 TIF districts in existence during the audit period (2004-2015) have been approved by the governing bodies in the cities of Belton, Harrisonville, or Raymore.

TIF Assessed Valuation Reporting

The County Assessor's office does not have adequate controls to ensure compliance with state laws related to the valuation of TIF property. Although concerns had been raised about the assessed valuations for all 12 TIF districts in the county, auditors determined reporting errors were limited to one district, the Mullen TIF district in Belton for the 2004, 2005 and 2006 tax years. As a result of the reporting errors, additional property tax revenue of approximately \$203,000 could have been generated by four political subdivisions in Cass County if the adjusted tax rate ceiling had been calculated accurately. Belton School District #124 could have generated an additional \$52,000 in property taxes, the City of Belton could have generated an additional \$144,000 in property taxes, the Cass County Library could have generated an additional \$5,000 in property taxes, and the Metropolitan Community College District could have generated an additional \$2,000. Additionally, Belton School District #124 received

approximately \$265,000 less in state funding than it would have otherwise collected under the state school funding formula. The County Assessor's office did not review parcel level assessed valuations to ensure the accuracy of TIF district valuations, and overstated valuations were reported under the administrations of the former County Assessor and County Clerk. Auditors reviewed current procedures and determined both offices lack adequate controls to ensure accuracy.

Emergency Service District
Distribution

Auditors determined the South Metropolitan Fire Protection District was underpaid \$23,016 in property tax distributions based on statutory requirements. The City of Raymore issued payments to the district to correct the error.

Due to the limited scope of this audit, no overall rating is provided

Cass County Tax Increment Financing

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Cass County

We have audited certain operations of Cass County as it relates to the reporting of the assessed valuation of tax increment financing (TIF) districts in fulfillment of our duties under Section 29.200.3, RSMo. Due to concerns regarding errors in the reporting of TIF district assessed valuations and the potential for financial impact to local political subdivisions, the State Auditor initiated the audit with the approval of the Cass County Commission. The objectives of our audit were to:

1. Evaluate internal controls over significant management and financial functions of Cass County related to the TIF districts and reporting of assessed valuations.
2. Evaluate compliance with certain legal provisions related to TIF districts and reporting of assessed valuations.
3. Evaluate the economy and efficiency of certain management practices and operations related to TIF districts and reporting of assessed valuations.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures.

The accompanying Management Advisory Report presents our findings arising from our audit of Cass County procedures related to the reporting of TIF district assessed valuations.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Robert Showers, CPA, CGAP
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	Tessa Rusatsi, CPA
Audit Staff:	Stephanie Runkle

Cass County Tax Increment Financing

Introduction

Background

Tax increment financing (TIF) is an economic development tool that redirects local tax revenues to the redevelopment of eligible properties that are otherwise economically unfeasible. Sections 99.800 to 99.865, RSMo, the Real Property Tax Increment Allocation Redevelopment Act, enables cities to finance certain redevelopment costs with the incremental tax revenue generated by the net increase in assessed valuation resulting from the redevelopment. When a TIF plan is adopted, real estate taxes in the redevelopment area are frozen at the current level, or base valuation. By applying the real estate tax rate of all taxing districts having taxing power within the redevelopment area to the increased assessed valuation resulting from redevelopment, a tax "increment" is produced. The real estate tax increments are referred to as payments in lieu of taxes (PILOTs).¹

The PILOTs for each TIF district are collected by the county collector and distributed to the cities that authorized the TIF. The cities make further distributions to the TIF special allocation funds and, as required, either to the other political subdivisions or back to the county collector for redistribution to the political subdivisions.

The county assessor prepares reports of assessed valuations that are provided to the county clerk. The county clerk is responsible for reporting those assessed valuations to the political subdivisions. The political subdivisions utilize the assessed valuations received from the county clerk to set their property tax levies. The county clerk is also responsible for reporting the assessed valuations to the Department of Elementary and Secondary Education (DESE) and the State Tax Commission. According to state law, the incremental increase in assessed value is not to be included in the total assessed valuation reported.

As part of financial planning efforts in 2015, the Belton School District #124 began questioning the accuracy of the assessed valuations reported to the district by the Cass County Clerk. As a result, the Cass County Assessor compiled a series of annual reports for tax years 2004 through 2015 covering all political subdivisions within Cass County. Based upon those reports, the County Assessor concluded the reports provided to political subdivisions by the County Clerk incorrectly included the full assessed valuation amounts for all TIF districts in Cass County. Such an error would impact the tax rate ceiling calculation of the 13 political subdivisions in the county with a TIF for each year the TIF was in place. The County Assessor's reports indicated assessed valuations for the purpose of setting the property tax rates were likely overstated by \$23.8 million for 3 county-

¹ Source: Summary of the Missouri Real Property Tax Increment Allocation Redevelopment Act, <<http://www.armstrongteasdale.com/files/Uploads/Documents/Summary%20of%20MO%20Real%20Property-8992445-1.PDF>>, accessed February 16, 2016.



Cass County Tax Increment Financing Introduction

wide political subdivisions and lesser but significant amounts for 3 school districts, 3 cities, the county road and bridge property tax, a special road district, a community college, and one fire protection district. The Belton School District #124 requested the State Auditor investigate the propriety of the assessed valuations reported by the County Clerk and used in setting the district's tax rates. On February 4, 2016, the Cass County Commission passed a resolution to allow the State Auditor's Office to audit Cass County offices with responsibilities related to TIF districts and assessed valuation calculations.

There have been 12 separate TIF redevelopment districts in existence in Cass County during our review period from 2004 through 2015. The TIF districts have been approved by the governing bodies in the cities of Belton, Harrisonville, or Raymore.

Scope and Methodology

To gain an understanding of how Cass County TIF district assessed valuations are reported, property taxes are impacted, and TIF property taxes are collected and distributed, we held discussions with the County Assessor, County Clerk, and County Collector. In addition, we held discussions with officials of the Belton School District #124, and officials with the City of Belton and the City of Raymore. To determine the potential impact on Cass County school districts and other political subdivisions we met with officials of the Department of Elementary and Secondary Education (DESE) and the State Tax Commission. Auditors obtained the data submitted to our office by the county and the political subdivisions for purposes of setting the property tax rates from 2004 through 2015. We obtained assessed valuation reports for the period of 2004 through 2015 from the County Assessor's office. We obtained and reviewed school funding reports submitted by the Belton School District #124 and assessed valuation reports submitted by the County Clerk to the DESE. We provided DESE officials with the estimated amounts of incremental assessed valuations reported to the Belton School District #124 in error and requested DESE officials determine any potential impact on the school district's state funding resulting from the error.

Cass County Tax Increment Financing

Management Advisory Report

State Auditor's Findings

1. TIF Assessed Valuation Reporting

The County Assessor's office does not have adequate controls in place to ensure compliance with state laws related to the valuation of tax increment financing (TIF) property. As a result, four political subdivisions in Cass County could have generated additional property tax revenues of approximately \$203,000 and Belton School District #124 received approximately \$265,000 less in state funding than the district otherwise would have collected from the state school funding formula.

Controls over assessed valuation reporting

The County Assessor's office does not review parcel level assessed valuation reports to ensure the accuracy of TIF district valuations. As a result, the office provided overstated assessed valuations to the County Clerk for the 2004, 2005, and 2006 tax years. The County Clerk does not have adequate procedures in place to ensure the abstracted assessed valuations provided to the political subdivisions were correct. As a result, tax rate ceilings for local political subdivisions were understated, resulting in reduced property tax revenues, and the school funding formula for one school district was negatively impacted. The overstatement of the assessed valuations discussed above occurred under the administrations of the former County Assessor and the former County Clerk. However; the current controls and procedures in both offices are not sufficient to ensure incremental assessed valuations related to TIF projects are properly excluded from the assessed valuation totals reported to political subdivisions.

While initial indications were the County Assessor's office had incorrectly included incremental assessed valuations for all 12 TIF districts in the county, auditors determined errors in assessed valuation reporting were limited to one TIF district. The County Assessor's office incorrectly included the incremental assessed valuation for the Mullen TIF district for 2004 through 2006 in the assessed valuation totals reported to the County Clerk. The Mullen TIF district was terminated in 2006, reducing the impact of the inaccurate assessed valuation. Section 137.073.4(1), RSMo, requires additional assessed valuations from TIF districts to be excluded from the assessed valuations for the purpose of setting the property tax rates. This noncompliance was likely caused by the manner in which the assessed values for the Mullen TIF district were entered into and tracked by the County Assessor's property tax assessment system when the Mullen TIF district was established in 1995. The assessed values were further overstated due to the manner in which the additional assessed valuations for this TIF were added to the assessment system as the TIF developed. Due to the age of the project, we were unable to determine if the problems identified occurred because of system programming errors or manual override of the established procedure. For all other TIF districts in the county, the property tax system properly reflects only the base year assessed valuation.



Cass County Tax Increment Financing
Management Advisory Report - State Auditor's Findings

Incorrect assessed
valuations

The County Clerk's report to political subdivisions of total assessed valuations incorrectly included incremental assessed valuations for the Mullen TIF district of \$2,051,300, \$1,870,740, and \$2,193,650 for 2004, 2005, and 2006, respectively. In addition, in 2005 the assessed valuation of new construction from the Mullen TIF district, \$399,320, was manually added into the new construction assessed valuation total when it should not have been added to that amount until 2007. The combination of these errors caused the property tax rate ceilings for 4 of the 7 political subdivisions where the Mullen TIF district was located to be lower than the ceiling would have been if the assessed valuations had been reported in accordance with state law. In addition, the incorrect reporting of the 2004 assessed valuation to the Belton School District #124 resulted in errors in the districts school funding formula.

Financial impact

In order to estimate the financial impact on the political subdivisions involved, auditors utilized tax rate ceiling calculators used by the State Auditor's Office tax rate section. Property tax rate data submitted to our office for 2004 through 2015, and the tax rate calculation forms for each tax year for each political subdivision were reviewed. Tax ceilings and rates were recalculated after reducing the assessed valuations by the amount of the overstatement of the Mullen TIF district. In addition, auditors corrected the timing of the \$399,320 in new construction value, moving it from 2005 to 2007. Auditors then determined the amount of additional tax revenue that could have been generated if the adjusted tax rate ceiling would have been in effect. The primary effect of the overstated assessed valuations and the new construction impact would have ended in 2007 following the expiration of the Mullen TIF district in 2006. However, subsequent year tax rates would have been impacted slightly due to the effect of the prior year's tax rate ceilings, limitations on tax revenue growth, and the revenue neutrality provisions required under state law.

Belton School District #124

We estimate the Belton School District #124 could have generated an additional \$52,000 in property tax revenue from 2004 through 2015 if the correct assessed valuations had been reported to the district.

City of Belton

We estimate the City of Belton could have generated an additional \$144,000 in property tax revenue from 2004 through 2015 if the correct assessed valuations had been reported to the city. Both the city general revenue and city parks and recreation property taxes were affected.

Other political subdivisions

The total additional property tax revenue that could have been generated by the Cass County Library and the Metropolitan Community College District from 2004 through 2015 were less than \$5,000 and \$2,000, respectively. The Mount Pleasant Special Road District over imposed approximately \$6,000 in property taxes from 2005 through 2008. We could determine no



Cass County Tax Increment Financing Management Advisory Report - State Auditor's Findings

potential impact upon the property taxes for the County Medical Center and the Senate Bill 40 Board.

School funding formula

The errors made by the County Assessor and the County Clerk that caused the overstatement of the 2004 assessed valuations resulted in the Belton School District #124 receiving approximately \$265,000 less from the state school funding formula than the district otherwise would have received.

The current school funding formula utilizes the 2004 assessed valuation as the base of the local effort portion of the formula. The assessed valuation reported to the school district for 2004 by the County Clerk incorrectly included \$2,051,300 for the incremental assessed valuation of the Mullen TIF district. In addition, the school district and the County Clerk both reported the incorrect assessed valuations to the DESE, causing the local effort portion of the school funding formula to be overstated and the amounts of state school funding available to the school district to be lower than otherwise allowable. Since the school funding formula is based on the 2004 local effort amount, the error impacted all subsequent years.

We requested the DESE determine the additional amounts of state school funding the school district would have received if the correct 2004 assessed valuation had been reported. DESE officials estimated the school district would have received approximately \$265,000 in additional state school funding over the period of 2007 through 2016. They indicated the district may be limited to two years of correcting distributions of approximately \$66,800, and \$69,000 for 2015 and 2016, respectively, if any correcting distributions were made. DESE officials indicated they plan to contact the Attorney General's office to obtain an opinion as to whether state law allows the department to correct the school funding formula for this error, and if so, how many years can be paid back to the school district.

DESE instructions to county clerks specifically state the assessed valuation should include the base equalized value of a TIF district, but not the incremental value upon which the payments in lieu of taxes (PILOTs) are collected. This guide is sent out each year to all county clerks in the state, who need to work with the assessor to ensure correct valuations are reported.

Requiring parcel-level detail reports of assessed valuations for TIF districts, and reviewing to ensure incremental assessed valuation amounts are not included in the overall assessed valuation amounts provided to political subdivisions, would help ensure compliance with Section 137.073.4(1), RSMo, and accurate assessed value data is used in local tax rate ceiling calculations. Such procedures also would have helped ensure the accuracy of the Belton School District's state school funding formula calculation.



Cass County Tax Increment Financing
Management Advisory Report - State Auditor's Findings

Recommendation

The County Assessor and the County Clerk should develop additional controls and procedures to ensure assessed valuations are properly reported to political subdivisions and state agencies in accordance with state law.

Auditee's Response

The County Assessor provided the following response:

The TIF errors reported in this report happened in the years 2004-2006. Since taking office in 2007, we have implemented controls in the office to administer the TIF information properly. We also have contracted with outside firms to review our TIF properties since 2007 to be sure that we are in compliance.

The County Assessor's office is establishing additional controls to ensure that all reports are reviewed and that the TIF district valuations are reported in accordance with state law.

The County Clerk provided the following response:

The County Clerk is currently in the process of establishing additional controls and procedures to ensure that assessed valuations are properly reported to political subdivisions and state agencies in accordance with state law.

2. Emergency Service District Distribution

Controls over disbursing TIF monies to emergency service districts need improvement. The County Collector does not have controls in place to ensure city distributions are in accordance with statutory requirements. As a result, property tax distributions to one fire protection district were underpaid.

Section 99.848, RSMo, requires emergency service districts to receive a minimum of 50 percent of the PILOTs from a TIF district. In 2015, the City of Raymore distributed 25 percent of the PILOTs for the Raymore Galleria TIF district to the South Metropolitan Fire Protection District instead of the 50 percent required. For the other TIFs in the City of Raymore, the fire protection district received the appropriate amount of the PILOTs. After auditors discussed the error with city officials, the city issued the fire protection district payments totaling \$23,016 to correct the error.

The County Collector distributes TIF property tax monies for the TIF districts located in the City of Raymore to city officials for further distribution to the political subdivisions and the TIF districts. The City of Raymore was the only city with an emergency service district with a property tax levy that included TIF redevelopment districts.



Cass County Tax Increment Financing
Management Advisory Report - State Auditor's Findings

Recommendation

The County Collector monitor the City of Raymore to ensure TIF property taxes are distributed to the fire protection district in accordance with state law.

Auditee's Response

The County Collector provided the following response:

I will comply with this recommendation by preparing an insert to be attached to each TIF distribution to the City of Raymore stating Section 99.848, RSMo, requires a minimum of 50 percent of the emergency services portion of TIF revenues to be distributed to the fire protection district.

Although I am happy to comply, I am concerned with the responsibility that may ensue with other taxing districts as a result of this recommendation. To my knowledge there isn't any statutory requirement for my office to take on this responsibility.

Cass County Tax Increment Financing Organization and Statistical Information

Cass County is a county-organized, first-class county. The county seat is Harrisonville, Missouri.

TIF Districts

Cass County had the following 12 tax increment financing (TIF) districts active during all or part of the 2004 to 2015 period reviewed.

TIF District	Approving City	Year Approved
Mullen ¹	Belton	1995
Marketplace	Belton	2001
Town Centre	Belton	2006
Belton Plaza	Belton	2007
Southtowne Plaza	Belton	2009
Boardwalk	Belton	2009
Y Highway-Marketplace	Belton	2010
Raymore Galleria	Raymore	2005
Good Ranch	Raymore	2006
Foxwood Village Shops	Raymore	2009
Towne Center	Harrisonville	2005
Marketplace	Harrisonville	2007

¹ TIF district terminated in 2006.

Elected Officials

The elected county officials serving as of December 31, 2015 with responsibilities related to assessment and reporting of TIF property valuations and collection and distribution of the related property taxes are listed below:

Elected Official	County Office
Michael J. Vinck	County Clerk
Bob Huston	County Assessor
Pam Shipley	County Collector



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Henry County

Report No. 2016-043
July 2016

auditor.mo.gov

Henry County

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Henry County

We have conducted follow-up work on certain audit report findings contained in Report No. 2015-133, *Henry County* (rated as Poor), issued in December 2015, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by county officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the county included County Commission meeting minutes, bank statements and reconciliations, monthly settlements, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed by June 2016.

Nicole R. Galloway, CPA
State Auditor

Henry County

Follow-Up Report on Audit Findings

Status of Findings

1.1 County Procedures - Fuel

The county lacked adequate procedures to account for fuel use by the road and bridge department and the Sheriff's office. County employees did not always properly complete fuel use records or use them to reconcile to fuel billings. We noted instances where employees did not enter odometer readings on fuel and usage logs or at the pump. Also, fuel receipts were not always obtained, and fuel and usage logs maintained by the Sheriff's office were destroyed each month after the Sheriff's review. In addition, employees of the road and bridge department used an unmetered portable fuel tank to fuel equipment.

Recommendation

The County Commission ensure fuel logs and records are reviewed for accuracy, reconciled to fuel purchases, and any significant discrepancies investigated. The County Commission should also require odometer readings be entered into fuel use logs or at the pump, fuel receipts be obtained and retained, fuel logs be retained by the Sheriff's office and submitted for review, and ensure the portable fuel tank is metered.

Status

Partially Implemented

Fuel logs and records of the road and bridge department from January to April 2016 were reviewed for accuracy and reconciled to fuel purchases by the County Clerk. Records indicated employees properly entered odometer readings on applicable logs or at the pump. The County Clerk indicated he obtains and retains fuel receipts, and the portable fuel tank is now metered. Fuel and usage logs are being retained by the Sheriff, and the County Clerk indicated he does not receive these fuel and usage logs from the Sheriff and does not believe it is necessary because the Sheriff can reconcile his department's fuel.

1.2 County Procedures - Commuting mileage

The value of personal commuting mileage and transportation expenses paid by the county were not reported on the Jail Administrator's W-2 form as required by Internal Revenue Service (IRS) guidelines. The Jail Administrator commuted 84 miles each day and did not prepare a detailed mileage log of personal and business use. From July 2014 through September 2014, the county provided the Jail Administrator a vehicle to commute to work. From October 2014 through August 2015, the Jail Administrator charged fuel and maintenance services to the county for his personal vehicle.

Recommendation

The County Commission comply with IRS guidelines for reporting fringe benefits.

Status

Implemented

The Jail Administrator used his personal car to commute to work during 2015; therefore, the value of personal commuting mileage was not required



Henry County
Follow-up Report on Audit Findings
Status of Findings

to be reported. The county reported transportation expenses paid by the county during 2015, totaling approximately \$1,800 on the Jail Administrator's W-2 form.

1.3 County Procedures -
Bidding

The Sheriff and County Commission did not solicit bids for prisoner meals during 2014. In addition, the County Commission did not document reasons for selecting a bid other than the low bid for a used semi-truck purchased or employee health insurance.

Recommendation

The County Commission and the Sheriff ensure bids are solicited for all applicable purchases of goods and services in accordance with state law, and document reasons for selecting a bid other than the low bid.

Status

In Progress

The County Commission and Sheriff did not solicit bids for prisoner meals totaling \$222,975 during 2015 and through June 16, 2016. The County Clerk indicated the county plans to solicit bids for prisoner meals next year, but have not determined when it will happen. The County Commission and County Clerk indicated they will document reasons for selecting other than the low bid in the future.

2.1 Sunshine Law - Closed
meetings

The County Commission discussed some items in closed meetings that were not allowed by state law and sometimes discussed issues other than the specific reason cited in the open minutes for going into a closed meeting.

Recommendation

The County Commission ensure issues discussed in closed meetings are allowed by state law, and limit issues discussed in closed meetings to only those specific reasons cited for closing the meeting.

Status

Implemented

Issues discussed in closed meetings held in January, February, and March 2016 were allowed by state law, and limited to the specific reasons cited for closing the meetings.

3. Electronic Data Security

Controls over county computers were not sufficient to prevent unauthorized access.

3.1 Passwords

The County Clerk, County Collector-Treasurer, County Assessor, and Recorder of Deeds had not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices were not required to change passwords periodically to help ensure passwords remain known only to the assigned user.



Henry County
Follow-up Report on Audit Findings
Status of Findings

Recommendation	The County Commission work with other county officials to require unique passwords for each employee that are confidential and periodically changed to prevent unauthorized access to the county's computers and data.
Status	Implemented The County Clerk, County Collector-Treasurer, County Assessor, and Recorder of Deeds each indicated employees in their offices had individual, unique passwords and that computers were set to automatically remind employees to change their passwords periodically.
3.2 Security controls	Security controls were not in place to lock any county computers after a specified number of incorrect logon attempts or after a certain period of inactivity.
Recommendation	The County Commission work with other county officials to require each county computer to have security controls in place to lock it after a specified number of incorrect logon attempts and after a certain period of inactivity.
Status	Partially Implemented The County Assessor, County Collector-Treasurer, Recorder of Deeds Prosecuting Attorney, and Public Administrator indicated these security controls are now in place in their offices. The County Clerk and Sheriff indicated these security controls are not in place in their offices, and they do not have any specific plans to implement this recommendation.
4.1 Sheriff's Controls and Procedures - Bank reconciliations	Bank reconciliations and lists of liabilities were not prepared for the Sheriff's fee and inmate bank accounts. In addition, the Sheriff did not distribute the remaining balance of the old inmate account and close the account.
Recommendation	The Sheriff perform bank reconciliations and prepare monthly lists of liabilities for all accounts and compare to the available cash balances, and promptly investigate and resolve differences. The Sheriff should also close the old inmate bank account.
Status	Partially Implemented The Sheriff now performs bank reconciliations for the fee and inmate accounts monthly. However, a monthly list of liabilities is not prepared for the fee or inmate account and compared to the available cash balances. The old inmate account was closed and the remaining monies turned over to the County Collector-Treasurer in January 2016.



Henry County
Follow-up Report on Audit Findings
Status of Findings

4.2 Sheriff's Controls and
Procedures - Fee
account

The Sheriff did not maintain accurate accounting records for the fee account. As a result, reports generated from the accounting system could not be relied upon by the Sheriff to reconcile the bank account. Some monies received were not recorded in the accounting system, and the payee and the written amount on checks were manually altered after the checks were printed. The payee recorded in the accounting system did not agree to the actual check written from the fee account, and checks were issued and cleared the bank without any signatures on the checks. The Sheriff did not follow up on and resolve old outstanding checks, and monies received were not deposited timely.

Recommendation

The Sheriff ensure all monies received and disbursements are properly recorded in the accounting system, discontinue altering checks, ensure all checks are signed, dispose of old outstanding checks in accordance with state law, and deposit monies timely.

Status

Partially Implemented

In January 2016, the Sheriff implemented a new computerized accounting system for the fee account. We reviewed February 2016 accounting and bank records for this account. All monies received were recorded in the accounting system, checks were not altered, the payee recorded in the accounting system agreed to actual checks written, all checks issued were signed by the Sheriff, and monies received were deposited timely. The Sheriff had not followed up on and resolved old outstanding checks.

4.4 Sheriff's Controls and
Procedures - Inmate
account

The numerical sequence of transaction numbers was not accounted for properly, and the transaction numbers were not included in the receipt reports generated to support deposits of inmate monies received. Some inmate monies were not recorded in the inmate computer program, and monies received were not deposited timely.

Recommendation

The Sheriff account for the numerical sequence of transaction numbers, ensure all monies received are recorded in the computer program, and deposit monies timely.

Status

Partially Implemented

The Sheriff had not accounted for the numerical sequence of transaction numbers issued and not all monies received were recorded in the accounting records reviewed during February 2016. However, monies received were deposited more timely.

4.6 Sheriff's Controls and
Procedures - Seized
property

A physical inventory of seized property had not been performed and seized property records indicate several items had been held for years with some items dating back to at least 2008.



Henry County
Follow-up Report on Audit Findings
Status of Findings

Recommendation	The Sheriff ensure a periodic inventory is conducted and reconciled to the records, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property.
Status	Not Implemented The Sheriff has not conducted an inventory of seized property on hand and disposition of old seized property has not occurred.
5. Public Administrator's Controls and Procedures	Controls and procedures in the Public Administrator's office needed improvement.
5.1 Fees	The Public Administrator charged 56 estates a fee in advance of services being performed without the approval of the Circuit Judge, Probate Division. In addition to the fee advance, the Public Administrator also charged and collected monthly fees from some of these same estates in error. Additionally, the fee advance amount paid was included in the disbursement total the Public Administrator used when calculating the monthly fee. Therefore, the Public Administrator was charging a 5 percent fee on the fee advance paid. Also, the Circuit Court, Probate Division, had not established procedures to review the accuracy of fees paid to the Public Administrator. The court's compensation order did not indicate that advance payments of fees were allowed, and the Circuit Judge, Probate Division, indicated the court's compensation order implies that advance payments of fees should not be made.
Recommendation	The Public Administrator should discontinue the practice of charging fees in advance, and the Circuit Judge, Probate Division, should ensure the division has established procedures to review the accuracy of fees paid to the Public Administrator.
Status	Implemented The Public Administrator indicated she discontinued the practice of charging fees in advance in June 2015. In December 2015, the Circuit Judge, Probate Division, entered a supplemental order regarding the Public Administrator's compensation and procedures, which prohibits advance payment of fees. The Circuit Judge, Probate Division, also established procedures to review the accuracy of fees paid. We reviewed 2 of the 17 annual settlements filed in February 2016, and determined advance payments of fees did not occur and the Probate Clerk had reviewed the accuracy of fees paid.
5.2 Annual Settlements	The Circuit Court, Probate Division, did not perform sufficient reviews of the activity of cases assigned to the Public Administrator. The court reviewed annual settlements submitted, but the review of disbursements was limited to verifying the accuracy of amounts reported by reviewing copies of canceled checks included as part of the bank statements. However,



Henry County
Follow-up Report on Audit Findings
Status of Findings

canceled checks were not obtained and reviewed for one estate we reviewed. In addition, the Public Administrator did not file supporting documentation such as invoices with the Circuit Court, Probate Division, when filing annual settlements.

Recommendation

The Circuit Judge, Probate Division, establish procedures to adequately monitor the activity of all cases assigned to the Public Administrator, and require supporting documentation such as canceled checks and invoices to be filed with the court.

Status

Implemented

The Probate Clerk indicated she currently reviews all supporting documentation, such as canceled checks and invoices, when reviewing annual settlements filed by the Public Administrator and utilizes a settlement checklist to review and approve annual settlements filed by the Public Administrator. The Circuit Judge, Probate Division indicated he ensures this review has been performed. Invoices, canceled checks, and bank statements were filed for the 2 annual settlements reviewed, and the settlement checklists reviewed were accurate and complete.

6. County Collector-Treasurer's Controls and Procedures

Controls and procedures in the County Collector-Treasurer's office needed improvement.

6.1 Annual settlements

Protested taxes received were not reported as protested taxes on the annual settlement for the years ended February 28, 2015, and 2014. In addition, collections reported on pages 2 and 3 of the annual settlement did not agree to the summary total of collections reported on page 1 for the year ended February 28, 2015.

Recommendation

The County Collector-Treasurer file complete and accurate annual settlements.

Status

Implemented

The annual settlement for the year ended February 29, 2016, accurately reported protested taxes and collections.

6.2 Liabilities

Lists of liabilities were not adequately reconciled with the reconciled bank balance of the property tax bank account each month.

Recommendation

The County Collector-Treasurer adequately reconcile the list of liabilities to the reconciled bank balance, promptly investigate any differences, and dispose of unidentified monies in accordance with state law.



Henry County
Follow-up Report on Audit Findings
Status of Findings

Status	Implemented The County Collector-Treasurer reconciled the list of liabilities to the reconciled bank balance as of March 31, 2016, and no differences were identified.
6.3 Assessment withholdings	The County Collector-Treasurer did not retain documentation of the calculation of amounts withheld from tax collections for the Assessment Fund, and as a result, we could not determine the accuracy of amounts distributed to various political subdivisions in December 2014.
Recommendation	The County Collector-Treasurer retain documentation of the calculation of Assessment Fund withholdings.
Status	Implemented The County Collector-Treasurer retained documentation of the calculation of Assessment Fund withholdings for December 2015.
7. Prosecuting Attorney's Controls and Procedures	Controls and procedures in the Prosecuting Attorney's office needed improvement.
7.1 Segregation of duties	The Prosecuting Attorney had not adequately segregated accounting duties or performed supervisory reviews of accounting records. A legal assistant also had the ability to record adjustments to defendant accounts in the system without independent approval. Neither the Prosecuting Attorney nor his Office Manager performed a documented supervisory review of the accounting records to ensure all monies received were properly recorded and transmitted or disbursed to the appropriate party.
Recommendation	The Prosecuting Attorney adequately segregate accounting duties or ensure supervisory reviews of accounting records are performed and documented. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments.
Status	Partially Implemented The Prosecuting Attorney indicated he does not have adequate personnel to segregate duties as recommended and the Office Manager attempts to review accounting records when available. The Prosecuting Attorney now requires a supervisory review and approval for all accounting adjustments.
7.2 Receipting, recording, and transmitting monies	The Prosecuting Attorney's office did not issue receipt slips timely for all monies received, some monies were not recorded in the computerized accounting system, and a receipt slip was not issued for a receipt recorded in the computerized accounting system.



Henry County
Follow-up Report on Audit Findings
Status of Findings

Recommendation	The Prosecuting Attorney ensure receipt slips are issued for all monies received, and all monies received are recorded in the computerized accounting system.
Status	Implemented For a 2-week period reviewed during April 2016, receipt slips were issued for all monies received and these receipts were recorded in the computerized accounting system.
8. Recorder of Deeds' Controls and Procedures	Controls and procedures in the Recorder of Deeds' office needed improvement.
8.1 Receipting and depositing	The Recorder of Deeds' office did not issue receipt slips and record copy monies received from abstract companies into the computerized accounting system. In addition, the Recorder of Deeds did not generate a receipt report indicating the method of payment to ensure the composition of receipts agreed to the composition of deposits, even though the method of payment was recorded in the computerized accounting system.
Recommendation	The Recorder of Deeds issue receipt slips for copy monies received, ensure copy monies are recorded in the computerized accounting system, and reconcile the composition of receipts to the composition of deposits.
Status	Implemented Receipt slips were issued for copy monies received, copy monies were recorded in the computerized accounting system, and the composition of receipts was reconciled to the composition of the deposit for the 2 weeks reviewed in April 2016.
8.2 List of liabilities and unidentified balance	The Recorder of Deeds did not prepare a list of liabilities or compare month-end reports to the available cash balance of the office bank account.
Recommendation	The Recorder of Deeds prepare a monthly list of liabilities, reconcile the lists to the reconciled bank balances, promptly investigate any differences, and dispose of unidentified monies in accordance with state law.
Status	Partially Implemented The Recorder of Deeds did not prepare a monthly list of liabilities and reconcile it to the April 30, 2016, reconciled bank balance of \$460. The Recorder of Deeds indicated this balance was made up of tax liens. She turned over unidentified monies of \$1,020 to the County Collector-Treasurer in December 2015.



Office of Missouri State Auditor
Nicole Galloway, CPA

Thirty-Eighth Judicial Circuit
City of Sparta
Municipal Division



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Sparta Municipal Division

Accounting Controls and Procedures	Neither the municipal division nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. The municipal division used receipt slips that were not prenumbered. The former Court Clerk did not always record or deposit monies timely, and did not have procedures to identify and compare liabilities to reconciled bank balances. The municipal division did not have adequate procedures to monitor and review accrued costs owed to the municipal division, including fines, court costs, fees, and court-ordered restitution.
Municipal Division Procedures	The municipal division and the city police department did not work together to ensure the numerical sequence and ultimate disposition of all tickets issued were accounted for properly. Information recorded in the Police Department's computerized system was incomplete and inaccurate for some tickets. The municipal division does not always accurately document the final disposition of cases in court records and final disposition is not always approved by the Municipal Judge. The municipal division assesses a potentially improper \$25 warrant fee for each warrant issued for failure to appear, and warrants are not always issued timely. The municipal division did not submit accurate monthly reports of collections to the state and city. The municipal division does not have procedures in place to identify minor traffic violation tickets and the associated fines and courts costs collected so that city officials can accurately calculate whether the city owes excess revenues to the Missouri Department of Revenue (DOR). In addition, the city's procedures to calculate whether excess revenues are due to the DOR are not adequate to ensure compliance with state law.
Electronic Data Security	The municipal division does not periodically back up electronic data leaving division records at risk of loss or destruction, and the Police Department did not periodically test weekly backup data. All municipal division and city personnel who used municipal division computers shared the former Court Clerk's user identification and password. As a result, municipal division and police department records are not adequately protected and are susceptible to unauthorized access or loss of data.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Thirty-Eighth Judicial Circuit

City of Sparta Municipal Division

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Thirty-Eighth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Sparta, Missouri

We have audited certain operations of the City of Sparta Municipal Division of the Thirty-Eighth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2015. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

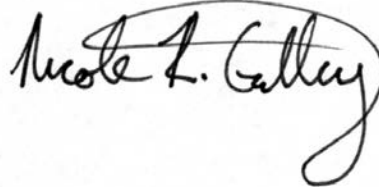
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Sparta Municipal Division of the Thirty-Eighth Judicial Circuit.

A petition audit of the City of Sparta, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Kelly Davis, M.Acct., CPA, CFE
In-Charge Auditor:	Natalie B. McNish, CGAP
Audit Staff:	Katelyn Crosson

Thirty-Eighth Judicial Circuit

City of Sparta Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. During the year ended June 30, 2015, the municipal division collected approximately \$67,200 in fines and court costs and approximately \$8,400 in bonds. The Court Clerk during the majority of our audit period resigned effective June 12, 2015. The city employed temporary staff until a permanent replacement was hired in August 2015.

1.1 Oversight

Neither the municipal division nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. The former Court Clerk was responsible for all duties related to collecting and recording monies, recording receipts in municipal division and city accounting records, recording tickets in the police department's computerized system, preparing deposits and disbursements, and reconciling municipal division bank accounts. In addition, the former Court Clerk had the authority to sign checks, and only one signature was required. Proper segregation of duties within the municipal division was not possible, because the former Court Clerk was the only employee. The Municipal Judge indicated he performs some review procedures, but he could not provide details on the procedures performed and did not document the work.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented supervisory or independent reviews of accounting records.

1.2 Receipting, depositing and recording

The municipal division utilized receipt slips that were not prenumbered and the former Court Clerk did not always record and deposit monies timely. The former Court Clerk printed receipt slips from a spreadsheet receipt template she created. When the municipal division received payments, the former Court Clerk or Utility Clerk if the Court Clerk was unavailable would enter the payment information into the receipt template and then print the receipt slip. Because a clerk entered the receipt numbers into the receipt template, there is no assurance each receipt number is unique and all receipts were properly recorded and deposited.

In addition, monies received were not always recorded in the computerized accounting systems or deposited timely. Monies were recorded in a spreadsheet upon receipt, but later recorded in the municipal division's and city's computerized accounting systems. For example, \$360 in cash and \$150 in money orders receipted on May 1 and May 4, 2015, were held for deposit until May 8, 2015. This deposit was not recorded in the municipal division's accounting system until June 9, 2015. The deposit was not recorded in the city's accounting system until after hiring the new city clerk in June 2015.



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Sparta Municipal Court Operating Order #1 and Supreme Court Operating Rule 4.53 state prenumbered receipt slips must be issued for all monies received. In addition, Sparta Municipal Court Operating Order #1 states the municipal division should deposit on a daily basis, or when the amount on hand reaches \$100.

1.3 Liabilities and reconciliations

The former Court Clerk did not have procedures to identify and compare liabilities to reconciled bank balances. As of May 31, 2015, the reconciled bond bank account balance was \$1,427 and court fund bank account balance was \$409. No listings of open bonds and liabilities were prepared for the month and the amounts remain unidentified. A reconciliation of the June 30, 2015, bank statements was not completed until after a new Court Clerk was hired and new procedures were implemented in September 2015.

Monthly reconciliations between liabilities and the reconciled bank account balance are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

1.4 Accrued costs

The municipal division did not have adequate procedures to monitor and review accrued costs owed to the municipal division, including fines, court costs, fees, and court-ordered restitution. Accrued costs are tracked in the municipal division's computerized accounting system and a report can be produced, but there is no documentation the former Court Clerk reviewed this information or provided the report to the municipal judge. The June 30, 2015, accrued costs report shows 41 defendants with balances due totaling approximately \$18,500. One defendant on the report had not made a payment since September 2014, and no action had been taken on this case.

Proper and timely monitoring of accrued costs is necessary to help ensure unpaid amounts are collected and proper follow up action is taken. In addition, proper monitoring is necessary to provide information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible.

Recommendations

The City of Sparta Municipal Division:

- 1.1 Ensure documented periodic independent or supervisory reviews of receipt, deposit, and disbursement records are performed.
- 1.2 Issue prenumbered official receipt slips for all monies received, and ensure receipts are recorded in the accounting systems and deposited timely.
- 1.3 Prepare monthly lists of liabilities and reconcile to the bank balance, and promptly investigate and resolve differences. In addition, the



Thirty-Eighth Judicial Circuit
City of Sparta Municipal Division
Management Advisory Report - State Auditor's Findings

municipal division should establish procedures to review the status of liabilities to determine the appropriate disposition of funds held.

- 1.4 Establish procedures to review the accrued costs report and properly follow up on amounts due.

Auditee's Response

The Municipal Judge provided the following responses:

- 1.1 *The previous Court Clerk used the previous City Clerk to double check her accounting and deposits. Reports were generated for my review, but that was unfortunately something that did not happen with the necessary regularity. The previous Court Clerk was tasked with being the Police Clerk as well as quite frequently having to fill in for the Water Clerk. That situation put us in a position where, as in many small jurisdictions, we did the best we could with what we had. These issues have been resolved by the hiring of new city staff with a significant improvement in their segregation of duties where the Court Clerk is no longer the Police Clerk and the Police Department is handling their own data entry and a new Water Clerk has been hired, along with a new City Clerk. Further, the Court Clerk has been instructed to prepare monthly reports as to the moneys taken in and disbursed for my review. This issue would be best alleviated by the implementation of the state Judicial Information System (JIS) software, and the Court is to be added to the system when the next group of Municipal Courts are brought online. The vast majority of the issues that the audit pointed out to the Court would be completely alleviated by JIS. The cost of the approved systems, other than JIS, are too cost prohibitive for the City of Sparta to implement. The Court and the Police Department are utilizing Crimestar to track all citations from issuance to disposition until JIS can be implemented.*

- 1.2 *Speaking to the use of computer generated receipts. The previous Court Clerk spoke with OSCA about generating receipts this way and I also questioned her about that due to the numbering issue. She responded that it could be done the way we were doing things based upon her discussion. I am under the impression that was a miscommunication between her and whomever she spoke with at OSCA. This issue has been alleviated by the use of pre-printed receipts, but, with JIS implementation, this issue will be resolved.*

Addressing the issue of timely recordation of and deposit of monies collected. The snapshot portrayed in the report clearly shows the end of the tenure of Mrs. Anderson. I think that the onsite Auditors would agree that this was a rather tumultuous time for the City as a whole, and as previously described, Mrs. Anderson was in a



Thirty-Eighth Judicial Circuit
City of Sparta Municipal Division
Management Advisory Report - State Auditor's Findings

position where she had to wear three hats. The staffing issues have been resolved and the division of duties has also been resolved so that the Court Clerk is the Court Clerk and she only on occasion has to cover the Water Clerk's duties and no longer serves as the Police Clerk in addition to her Court duties.

1.3 *These issues have been addressed with the new Court Clerk. Reconciliations are made on a case by case basis and are ongoing.*

1.4 *There is now a payment plan filing system where those files are separated into a separate file drawer for those cases where payment plans (mostly probation cases) are kept and tracked. These cases are set for review dates on the court docket and for probation cases they are set for review the month when the probationary period is to be terminated.*

Auditor's Comment

1.2 Audit work determined the untimely recording and depositing of monies was not isolated to the short period of time prior to the Court Clerk's resignation.

1.3 Reconciliations should be completed on a monthly basis to ensure bank account balances are correct and sufficient to meet liabilities.

2. Municipal Division Procedures

Procedures related to ticket accountability, case disposition, warrants and warrant fees, monthly reports, and monitoring excess revenues need improvement.

2.1 Ticket accountability

The municipal division and the city police department did not work together to ensure the numerical sequence and ultimate disposition of all tickets issued were accounted for properly. Also, information recorded in the police department's computerized system was incomplete and inaccurate for some tickets. The police department tracked the ticket book numbers assigned to each police officer. As officers issued tickets, the former Court Clerk recorded them in the police department's computerized system, and prepared and processed the case for the municipal division. The former Court Clerk also maintained a spreadsheet to track tickets filed with the municipal division each month; however, this spreadsheet did not include voided tickets, tickets sent to the Circuit Court, or the final disposition of tickets recorded.

We reviewed the police department's computerized system for 1,000 tickets to account for the numerical sequence. Tickets unissued totaled 482 and they were all in-stock and thus not recorded in the system. Of the 518 that should have been recorded in the computerized system, 5 did not include defendant or violation information, 6 voided tickets were not shown as voided in the system, 1 ticket was recorded twice, 35 tickets were issued but not recorded in the system, 4 tickets were voided and not recorded in the



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system, and 3 ticket numbers were recorded incorrectly in the system. The police department was also unable to locate 22 copies of tickets requested. The final disposition of tickets was not identified in the system for any tickets issued.

Without properly accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the police department cannot be assured all tickets issued are properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to decrease the risk of loss, theft, or misuse of funds.

2.2 Circuit Court and suspended cases

The municipal division does not always accurately document the final disposition of cases in court records and the final disposition is not always approved by the Municipal Judge. We identified 18 tickets with a final disposition of "void" in court records, but police department records showed a different disposition. Upon further review, we found these tickets had been forwarded to the Circuit Court for processing and should not have been marked void by the court. Since these tickets were marked as "void," they were not presented to the Municipal Judge for review or approval of the disposition.

We also identified 4 cases with suspended sentences that were not placed on a future docket for review and approval of the final disposition after full payment of fines and costs. Instead, once the suspended sentence was complete, the former Court Clerk closed the case without judicial approval. For example, the judge ordered 180 days suspended imposition of sentence for a case on November 6, 2014; however, no subsequent review of the case was completed as of June 30, 2015; however, the case was recorded as closed in court records.

To ensure the recorded disposition of all cases is proper, case activity, including final disposition, should be periodically reviewed and approved by the Municipal Judge.

2.3 Warrants

The municipal division assesses a potentially improper \$25 warrant fee for each warrant issued for failure to appear. According to municipal division records, warrant fees collected totaled approximately \$1,125 for the year ended June 30, 2015. In addition, warrants are not always issued timely. For example, the Municipal Judge ordered issuance of a warrant on May 7, 2015; however, the former Court Clerk did not issue this warrant until June 11, 2015.

Per Section 479.260, RSMo, a municipality may, by ordinance, provide for court fees pursuant to sections 488.010 to 488.020, RSMo; however, these sections do not include any provisions that authorize the municipal division



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to assess the warrant fee. According to Sparta Municipal Court Operating Order #1, "When a new warrant is issued, the Court Administrator shall mail requests to the Sheriff's Department within two business days."

2.4 Monthly reports

The municipal division did not submit accurate monthly reports of collections to the state and city. As a result, the municipal division incorrectly reported activities to the Office of State Courts Administrator (OSCA) and the city lacks the information needed to accurately monitor municipal division activity.

The former Court Clerk prepared a Municipal Division Summary Reporting Form each month and submitted it to the OSCA. The former Court Clerk also prepared a Monthly Report and presented it to the Board of Aldermen. Our review determined these 2 reports did not match. The OSCA report showed 90 cases pending at the end of May 2015, while the city report showed 58 cases pending for the same period. Further, the city report does not include all case information required by state law.

Supreme Court Operating Rule 4.28 and OSCA instructions require monthly reports of cases filed and fines and court costs collected to be submitted to the OSCA. Reports are to include all activities that have occurred since the last report. Section 479.080.3, RSMo, and Supreme Court Operating Rule 4.29 require the Court Clerk to prepare a monthly list of all cases heard in the municipal division court, including the names of the defendants and fines, court costs, and fees imposed, to be verified by the Court Clerk or the Municipal Judge and filed with the city.

2.5 Monitoring of excess revenues

The municipal division does not have procedures in place to identify minor traffic violation tickets and the associated fines and courts costs collected. This information is needed so that city officials can accurately calculate whether the city owes excess revenues to the Missouri Department of Revenue (DOR). In addition, the city's procedures to calculate whether excess revenues are due to the DOR are not adequate to ensure compliance with state law. City officials calculated no excess revenues were due to the DOR for the year ended June 30, 2015, but failed to retain documentation to support the numbers used in the calculation and the calculation was inaccurate.

The city used total fines, bond forfeitures, and court costs revenues, without adjusting for certain traffic violations and/or non-traffic violations excluded by law, in its calculation. Also, the city's general operating revenue amount exceeded total city revenues in all governmental funds and improperly included revenues restricted for specific purposes. As a result, the city's calculation does not accurately assess whether the city owes excess revenues to the DOR. The city's excess revenue calculation for the year ended June 30, 2015, indicated the city's 2015 revenues from traffic



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violations totaled \$69,434, general operating revenues totaled \$854,463, and computed the percent of general operating revenues from traffic violation revenues as 8.126 percent. If the calculation is revised using apparent unrestricted general operating revenue of approximately \$330,322 (\$524,141 less than the amount used by the city), and the same fines, bond forfeitures, and court costs revenues amount (\$69,434), the computed percent is approximately 21 percent. This large change in the percentage illustrates the importance of identifying the appropriate violations and general operating revenue for the calculation.

Section 302.341.2, RSMo (as it existed from August 28, 2013 to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations in its annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR.

Effective August 28, 2015, Senate Bill 5 (SB 5) changes the excess revenues requirements. Section 479.350, RSMo, provides new definitions for elements of the excess revenue calculation. Section 479.359.1, RSMo, requires cities to annually calculate the percent of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations and send any excess revenues to the DOR. Section 479.359.2, RSMo, reduces the amounts of these revenues the city may retain in the future.

Due to the impact of these provisions on operations of the municipal division and the city, it is important the city and its municipal division take immediate action to implement policies and procedures to ensure future compliance with state law.

Recommendations

The City of Sparta Municipal Division:

- 2.1 Work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly and information recorded in the computerized system is complete and accurate.
- 2.2 Ensure the status and disposition of cases are accurately documented on the court dockets, periodically reviewed by a person independent of the receipting and recording process, and all court dockets are signed by the Municipal Judge.
- 2.3 Work with the city and legal counsel to reevaluate the warrant fee and the authority to assess the fee, and ensure warrants are issued timely.



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- 2.4 Establish procedures to ensure the accuracy of monthly reporting to the OSCA and the city.
- 2.5 Work with the city to ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues and court revenues in the calculations. In addition, the Board of Aldermen should recalculate excess revenues for fiscal year 2015, maintain documentation to support the calculation, and make payment to the DOR, if appropriate, for any excess revenues identified.

Auditee's Response

The Municipal Judge provided the following responses:

- 2.1 *The Court and the new Chief of Police are using a computer-based software program, Crimestar, where the Police Department enters the tickets and the Court makes entries into the system to track the adjudication or other disposition of the citations. Previously, the Municipal Court Clerk was tasked with being the Police Clerk in addition to her Court duties. This situation has been alleviated. The Office of State Courts Administrator has also been contacted by the Clerk of the Municipal Division on numerous occasions to be given a timeline for implementation of the JIS, in the Sparta Municipal Division for at least the last year and no definitive answer has been provided. The implementation of JIS would alleviate most if not all issues noted by the Auditor's Office.*
- 2.2 *All Suspended Imposition of Sentence cases are now docketed for a case review for the future court date that coincides with the expiration of the probationary period so that the appropriate docket entries can be made to close the file, unless there has been some previous violation of probation, which requires court action.*

Speaking to the concerns over "void" or "voided" citations. The Auditor's report states that there were citations that were in the Court records that had been "forwarded to the Circuit Court for processing and should not have been marked "void" by the court. Since these tickets were marked as "void," they were never presented to the Municipal Judge for Review or approval of this disposition." My understanding has always been that only the issuing law enforcement agency can "void" a citation and the prosecuting attorney can decline to prosecute or dismiss a citation. Therefore, I must agree that they should not have been marked "void" and they should have been marked or docketed as transferred to the Christian County Prosecuting Attorney for review.



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Management Advisory Report - State Auditor's Findings

In any event, until JIS can be implemented – as we were last informed by OSCA we were in the next group of Municipal Divisions to be added to the system – the Police Department and the Court are using Crimestar to track citations from issuance to final disposition either by referral to the County Prosecuting Attorney or through adjudication in the Municipal Division.

- 2.3 *There was some confusion among the municipal jurisdictions in our area as to if you could or could not assess "warrant fees." Once there was verification that it could not be charged the fee assessment was terminated.*

Speaking to the issuance of warrants. At times warrants were not being processed as quickly as needed because of staffing issues where the previous Court Clerk was tasked with also handling work as the Police Clerk, and the Water Clerk duties on numerous occasions. This staffing issue has been addressed with the Police Department handling the entry of their own citations and other information into Crimestar and the hiring of a new Water Clerk.

- 2.4 *This issue has been resolved with the OSCA reports being filed before the 21st day of the following month. All monthly reports are submitted to the City Clerk via the State Summary Report and the disposition and fee disbursement sheets are attached to the report. The City Clerk handles all fund and fee disbursements as required. It must again be stated, that this among other issues noted by the Auditor would be cured with implementation of the JIS system as it tracks and documents all of the reports, tickets, and other documentation in one central system.*

- 2.5 *No response was provided for this recommendation.*

The City provided the following response:

- 2.5 *With the change in staff since fiscal year 2015, there is an expectation that the reporting from the Municipal Court will improve. Implementation of new software should assure the accuracy of the information used for reporting purposes. Staff and the Board of Aldermen will continue to educate themselves and ensure that the reporting requirements are met and fully understood. The city will review and recalculate the 2015 excess revenue calculation.*

3. Electronic Data Security

The municipal division and police department have not established adequate data backup or user identification and password controls. As a result,



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City of Sparta Municipal Division
Management Advisory Report - State Auditor's Findings

municipal division and police department records are not adequately protected and are susceptible to unauthorized access or loss of data.

3.1 Data backup

The municipal division does not periodically back up electronic data leaving division records at risk of loss or destruction. The former Court Clerk indicated she completed a weekly backup of the computerized accounting system; however, this backup did not include other court electronic data maintained in other systems. Weekly backups ended when the former Court Clerk resigned in June 2015, and the municipal division has not implemented new backup procedures. In addition, the police department did not periodically test weekly backup data. Preparation of backup data, preferably on a daily or at least weekly basis, periodic testing to ensure the backup process is adequate, and off-site storage provides increased assurance data could be recovered or restored if necessary. Failure to store computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer.

3.2 User identifications and passwords

All municipal division and city personnel who used municipal division computers shared the former Court Clerk's user identification and password.

While a user identification and password are required to authenticate access to computers, the security of logon credentials is dependent upon keeping them confidential. However, since all employees shared the former Court Clerk's logon credentials, there was no assurance the user identification and password were effectively limiting access to computers and data files to only those individuals who needed access to perform their job responsibilities. User identifications should be unique to each person and passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

Recommendations

The City of Sparta Municipal Division:

- 3.1 Regularly back up computer data, and ensure it is stored in a secure off-site location and tested on a regular basis.
- 3.2 Require unique user identifications for each employee. In addition, passwords should remain confidential and be periodically changed to prevent unauthorized access to computers and data.

Auditee's Response

The Municipal Judge provided the following responses:

- 3.1 *The use of Crimestar by the Court in the interim while we await being added to the JIS system backs up daily and is mirrored with the Police Department so that the citations are tracked from issuance to disposition in both offices. Further, an additional*



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City of Sparta Municipal Division
Management Advisory Report - State Auditor's Findings

backup is maintained by the Court Clerk and stored off site nightly. We will explore the possibilities of secure off site remote backup for the Court records once the financial position of the City improves so that such a system can be implemented.

- 3.2 *This issue has been alleviated so that the Clerk of the Court and I have password protected access to the electronic Court records.*

Thirty-Eighth Judicial Circuit

City of Sparta Municipal Division

Organization and Statistical Information

The City of Sparta Municipal Division is in the Thirty-Eighth Judicial Circuit, which consists of Christian and Taney Counties. The Honorable Laura J. Johnson serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. The municipal division does not utilize OSCA's statewide automated case management system known as the JIS. Instead, the municipal division maintains manual records.

Personnel

At June 30, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	Matthew B. Owen
Court Clerk ¹	vacant

¹ Kamera Anderson served as the Court Clerk from July 1, 2014, through June 12, 2015. The position remained vacant through the end of the fiscal year.

Financial and Caseload Information

	Year Ended June 30, 2015
Receipts	\$75,601
Number of citations issued	658

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 11.00
Judicial Education Fund	1.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelter	2.00
Warrant Fee	25.00

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2014agencyreports.pdf?sfvrsn=2>. The following table presents data excerpted from the AGO report for the City of Sparta Police Department. In addition, see information at <https://ago.mo.gov/home/vehicle-stops->



Thirty-Eighth Judicial Circuit
City of Sparta Municipal Division
Organization and Statistical Information

report/2014-executive-summary, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

Racial Profiling Data/2014¹ - Sparta Police Department - Population 1,294²

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	1104	1085	8	8	2	0	1
Searches	39	39	0	0	0	0	0
Arrests	37	36	1	0	0	0	0
Statewide Population %	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population %	N/A	95.75	0.15	2.40	0.39	0.54	0.77
Disparity Index ³	N/A	1.03	4.69	0.30	0.47	0.00	0.12
Search Rate ⁴	3.53	3.59	0.00	0.00	0.00	0.00	0.00
Contraband hit rate ⁵	56.41	56.41	0.00	0.00	0.00	0.00	0.00
Arrest rate ⁶	3.35	3.32	12.50	0.00	0.00	0.00	0.00

¹ The City of Sparta did not submit profiling data to the Missouri Attorney General's Office (AGO) for 2015, because the police department disbanded in December 2015. The city did not hire new a new police chief until April 2016, after the deadline by which data could be submitted.

² Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

³ Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

⁴ Search rate = (searches / stops) X 100

⁵ Contraband hit rate = (searches with contraband found / total searches) X 100

⁶ Arrest rate = (arrests / stops) X 100



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Village of Leasburg

Village of Leasburg

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Chairperson
and
Members of the Board of Trustees
Village of Leasburg, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2015-116 *Village of Leasburg* (rated as Poor), issued in November 2015, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the village about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the village, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by village officials and held discussions with the officials to verify the status of implementation for the recommendations. Documentation provided by the village included Board of Trustees meeting minutes, bank statements and reconciliations, monthly settlements, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed by May 2016.

Nicole R. Galloway, CPA
State Auditor

Village of Leasburg

Follow-Up Report on Audit Findings

Status of Findings

1. Missing Monies From January 1, 2011, through December 31, 2013, receipts totaling \$9,971 were not deposited by the village. Missing receipts included \$7,547 received for utility services, \$1,300 received for utility security deposits, and \$1,124 received for miscellaneous items. Credit memos issued to various customer utility accounts were used to conceal the theft of \$3,963 of those receipts. Some essential records were altered including bank reconciliations, deposit records, accounting system reports, and Board of Trustees (Board) minutes.

Recommendation The Board of Trustees work with law enforcement officials regarding possible criminal prosecution related to the missing funds, including restitution.

Status **Not Implemented**

According to village officials, the Board of Trustees has directed the Leasburg Police Chief to give a copy of the audit report to the Crawford County Prosecuting Attorney to review for possible criminal prosecution. As of June 22, 2016, the Police Chief had not contacted the Prosecuting Attorney.

The State Auditor's Office contacted the Crawford County Prosecuting Attorney in November 2015. To meet the intent of the recommendation, village officials should proactively work in conjunction with law enforcement officials to recoup missing funds, not simply provide a report copy for consideration.

2. Accounting Practices, Reporting, and Monitoring The village's accounting practices needed improvement.

2.1 Accounting practices A lack of proper accounting for activities, not maintaining accurate accounting records, and using multiple bank accounts led to commingling of funds, excessive transfers between bank accounts, and disbursing restricted revenues for reasons other than their intended purpose.

- The village had 8 checking accounts and 5 savings accounts. Most monies from various sources including restricted utility receipts were first deposited into the general bank account. Checks were then issued from the general account to transfer utility monies to each respective utility fund bank account.
- The village did not maintain accurate accounting records.
- The village had no documentation to justify the allocation of salaries and employee fringe expenses to various funds for employees that performed multiple activities. In addition, the Board did not reconcile approved payments to checks issued.



Village of Leasburg
Follow-up Report on Audit Findings
Status of Findings

- During the year ended December 31, 2013, the village deposited Law Enforcement Training (LET) fees totaling \$208 into the general account, without tracking the receipts, disbursements, and balances of these restricted monies.

Recommendation

The Board of Trustees require proper accounting of village activities, including reducing transfers from the general bank account to the fund bank accounts and properly document the calculations used to allocate expenses among the village's funds. In addition, the Board should consider reducing the number of village bank accounts. The Board should also ensure accounting records are accurately maintained, the list of bills approved each month is complete and reconciled to the corresponding checks issued, and LET funds are expended in accordance with state law.

Status

Partially Implemented

In May 2016, the Bookkeeper implemented a new process that clearly shows the utility receipts received from customers and how these amounts are allocated between the various fund bank accounts.

The Board has not closed any bank accounts since closing the police account in January 2014. Board members indicated a further reduction in the number of accounts is not necessary.

We reviewed the list of payables approved by the Board for January 2016 and determined that it did not include all bills paid. In addition, there was no documentation of an independent review of the Bookkeeper's work to reconcile the payables list to the corresponding checks issued.

The LET monies are documented on an LET listing and have been added to the monthly financial report; however, they are not shown as a liability of the general account when bank reconciliations are performed. No procedures have been established to ensure LET funds are expended in accordance with state law.

2.2 Financial statements

The village did not comply with state law regarding publishing financial statements and submitting financial statements to the SAO. In addition, the village's monthly finance report provided to Board members combined all accounts (General, Street, Water, Sewer, and Sanitation) into a consolidated statement, which did not allow for a clear, detailed analysis of each fund's financial status.

Recommendation

The Board of Trustees ensure complete and accurate financial statements are published and submitted to the SAO as required by state law.



Village of Leasburg
Follow-up Report on Audit Findings
Status of Findings

Status

Not Implemented

As of June 30, 2016, the Board has not published financial statements or submitted financial statements to the SAO as required by state law for the years ended December 31, 2014, and 2015. Board members indicated they plan to present financial statements for each account, but did not know when this would be done.

2.3 Annual audits

The village did not obtain annual audits as required. The last audit of village finances occurred for the fiscal year ended June 30, 2007. The village fiscal year was changed to a calendar year beginning January 1, 2011.

Recommendation

The Board of Trustees obtain annual audits as required by law, bond covenants, and grant and/or loan agreements.

Status

Not Implemented

As of May 2016, the Board had taken no steps to obtain an annual audit for the year ended December 31, 2015, or any prior year as required by law, bond covenants, and grant and/or loan agreements. Board members indicated an audit would be cost prohibitive at this time.

2.4 Budgets

Annual budgets did not contain all elements required by state law and the village had not established adequate procedures to monitor or amend budgets.

Budget preparation

The Board prepared budgets for each village department checking account. However, the budget did not include all required information. In addition, the budget reported inaccurate beginning cash balances, and actual disbursements were reported for the incorrect year without considering financial circumstances for the ensuing year. Also, budgets were not approved timely.

Budget monitoring

The Bookkeeper provided the Board with monthly financial statements at each Board meeting; however, the reports did not include budget-to-actual information and the financial statements were not broken down by fund.

Recommendation

The Board of Trustees ensure budgets comply with state law and monitor budget-to-actual information.

Status

In Progress

The approved budget for 2016 does not include all information required by state law. In addition, we reviewed the monthly financial information provided to the Board at the January 2016 Board meeting and noted it did not include budget-to-actual information. According to village officials, the



Village of Leasburg
Follow-up Report on Audit Findings
Status of Findings

2017 budget will include all required information, and the Board should be receiving budget-to-actual information in the July 2016 Board packet.

3. Controls and Oversight Controls and oversight of several village functions had serious weaknesses.

3.1 Oversight The Board did not take sufficient steps to properly segregate accounting duties or implement adequate independent reviews of the work performed by the Village Clerk and Bookkeeper. Despite becoming aware in early 2014 of alterations being made to village records and other concerns with village finances and records, lack of Board oversight continued to be a problem.

The Village Clerk was responsible for supervising the work performed by the Bookkeeper and ensuring the accuracy of village records. During the audit period, two signatures were required on checks and although another Board member was authorized to sign checks, the Village Clerk and Board Chairperson signed the majority of checks issued without adequate independent reviews of the work performed.

Recommendation The Board of Trustees segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent review of the work performed and investigation into unusual items and variances is necessary. The Board should also consider appointing someone other than the Village Clerk as a check signer.

Status **In Progress**

As of May 2016, the Bookkeeper was made the Village Clerk and is still primarily responsible for the day-to-day financial operations of the village. Village officials indicated a Board member will be responsible for providing a documented independent review of the Village Clerk's work. The Village Clerk and 2 Board members are authorized to sign checks and 2 signatures are still required on all checks.

3.2 Electronic data security The Board had not established adequate password controls to restrict access to computer systems and electronic data to only authorized users and had not limited user access rights. The Bookkeeper and Village Clerk were not required to change passwords on a periodic basis and they shared passwords. In addition the village had not established procedures to disable computer access promptly upon employee terminations or changes in Board members.

Village officials had not established sufficient policies or procedures to ensure village computer systems were adequately protected from malware and did not install adequate virus protection software until May 2014.



Village of Leasburg
Follow-up Report on Audit Findings
Status of Findings

Additionally, adequate computer and malware protection controls had not been established for the police department computer.

Recommendation

The Board of Trustees establish policies and procedures to ensure village computer systems are protected against unauthorized access and malware and require confidential unique user identifications and passwords for all employees. In addition, the Board should ensure passwords are not shared and are periodically changed.

Status

Implemented

The Board purchased new antivirus software and had it installed on all computers. Each employee with computer access now has a unique password. Additionally, employees are required to change their passwords every 3 months, and when employees are terminated their access is removed from the computer system.

3.3 Cash controls

Controls over cash had not improved since the change in Bookkeeper in January 2014 and Board members in April 2014. For example, in May 2014, the Bookkeeper, who was responsible for making deposits, held a utility deposit for 37 days prior to depositing the monies. In addition, these monies were deposited over the weekend at a bank branch location approximately 30 miles from the village. Other general operation deposits made on the same date and at the same location were held in excess of 46 days.

Recommendation

The Board of Trustees establish the necessary cash controls to account for all revenues and ensure receipt slips are issued and accounted for properly and receipts are deposited timely.

Status

Partially Implemented

We compared the January 2016 receipt listing to the receipt slips documented on the January 2016 bank statements. One receipt on the listing could not be traced to a deposit, and several cash and check receipts deposited were not on the receipt listing. In addition, there was no indication the Bookkeeper or any other village official accounted for the receipts or ensured they were being deposited intact. January deposits were made timely.

3.4 Payroll check dates

Information in the computerized accounting records did not always agree with information on the actual payroll checks issued. The computerized accounting system allowed the user to change the date posted to the system.

Recommendation

The Board of Trustees work with its software provider to add control features to the accounting system that will prevent changes from being made to check information after the checks have been issued.



Village of Leasburg
Follow-up Report on Audit Findings
Status of Findings

Status

Partially Implemented

Village payroll is now processed using Quickbooks Payroll Software. The Bookkeeper creates the payroll checks using timesheets prepared by village personnel, then the timesheets and the checks are reviewed by 2 Board members to ensure the hours charged and the amount paid are correct before the checks are signed. We reviewed two pay periods and noted that the time sheets and the check stubs matched. We also compared this information to the canceled checks per the January 2016 bank statement, and noted no discrepancies. However, village officials have not contacted the software provider to determine if control features can be added to the system that would prevent changes from being made to check information after the checks have been issued.

4.1 Accounting Records
and Procedures -
Receipting and
depositing procedures

The village did not maintain adequate records of receipts and depositing procedures were poor. As a result, there was no assurance monies collected were properly handled, recorded, or deposited.

- The village did not issue receipt slips for payments received by check or money order unless requested and a receipt log was not maintained for payments placed in the village hall drop box.
- The only documentation available to support some cash register withdrawals were informal notes, some of which were initialed by village officials.
- The village did not issue manual receipt slips in date order, consistently indicate the method of payment, or reconcile the method of payment to the composition of receipts recorded in the computerized accounting system or to the deposit.
- Monies deposited were not reconciled to receipt records.

Recommendation

The Board of Trustees require all receipt slips be issued in date order, the method of payment documented on the receipt slips, and the composition of receipts reconciled to the composition of deposits. The Board should ensure all monies are deposited intact and timely.

Status

Not Implemented

The Board has not established procedures to ensure receipt slips are issued in order, the method of payment documented, and the composition of the receipts reconciled to the composition of deposits. We reviewed January 2016 receipt and deposit information and determined the same problems identified during the audit were still occurring. Village officials indicated the Board would takes steps to implement the recommendation in the future,



Village of Leasburg
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but they provided no specific details on how or when this would be accomplished.

5.1 Utility System Controls
- Water meters

Some village residents were not connected to the village's utility system. Municipal Ordinance 83 approved by the Board on September 19, 1989, required all dwelling units within the village to have a water meter. In addition, revenue bonds issued on January 29, 2002, required the owners of all houses, buildings or properties, situated within the village, at the owner's expense to connect directly with the utility system within a reasonable time.

Village officials entered into a 20-year loan agreement for \$17,401 in July 2010 with the Missouri Department of Natural Resources (DNR). Grant documents indicate the village agreed to replace 118 water meters, in addition to other water system program improvements. The water/sewer contractor's records showed 29 meters had been replaced, and in May 2014, we, along with the water/sewer contractor, observed about 50 meters in storage. However, the Board Chairperson signed CDBG close out documents in January 2012 reporting installation of 118 new meters.

Recommendation

The Board of Trustees consult with legal counsel and investigate the village's legal obligations regarding some village residents not being connected to the utility system. The Board should also consult with appropriate state and federal agencies regarding incorrect reporting and noncompliance with grant or loan arrangements.

Status

Not Implemented

Village officials indicated the Board has had discussions with legal counsel regarding some village residents not being connected to the utility system, but these discussions were not documented. They indicated it would be cost prohibitive to extend the village's utility system to all residents. The Board has not consulted with any state and federal agencies regarding incorrect reporting and noncompliance with grant or loan arrangements.

The State Auditor's Office has been in contact with the DNR. To meet the intent of the recommendation, and considering the known noncompliance and misreporting, it is important for village officials to contact state and federal agencies to ensure appropriations actions are taken.

5.4 Utility System Controls
- Water reconciliations

The village did not perform monthly reconciliations of amounts billed, payments received, and amounts unpaid for utility services during 2013. In addition, the most recent water loss review performed by the water/sewer contractor was for the period ending 2011 and indicated water lost or unaccounted for was 39 percent of water pumped.

Recommendation

The Board of Trustees ensure monthly reconciliations of system water loss amounts and amounts billed to amounts collected and delinquent accounts



Village of Leasburg
Follow-up Report on Audit Findings
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are performed. In addition, the Board should ensure documentation to support reconciliations is retained.

Status

Implemented

The village and the water/sewer contractor began preparing a monthly water reconciliation report in May 2016, which the water/sewer contractor presents at the monthly Board meeting. In addition, the Village Clerk reconciles amounts billed to amounts collected and contacts customers that have not paid their bill by the monthly deadline.

5.5 Utility System Controls
- Penalties

The village assessed late fees on utility bills even though village Ordinance 400, approved by the Board on July 21, 2010, repealed the collection of late fees. We noted numerous instances in the accounting records where village officials waived customer late fees without documentation supporting the reason. In addition, monies received for late fees and reconnection fees were transferred to the General Fund and used to fund general operations.

Recommendation

The Board of Trustees consistently enforce utility account penalties as appropriate, clarify utility system ordinances, and cease transferring restricted utility fees to the General Fund.

Status

Implemented

The Board approved a new utility system ordinance that addresses such issues as utility rates and late fees for delinquent accounts. In addition, village officials indicated utility receipts are no longer transferred to the General Fund.

5.6 Utility System Controls
- Utility deposits

Refundable water deposit monies held in the utility escrow account were not accounted for properly. Several questionable transfers were made to and from the utility escrow account. In February 2011, \$1,200 was transferred from the utility escrow account to the police checking account. In March 2011, \$200 was transferred from the street account to the utility escrow account. In August 2011, \$3,750 was transferred from the general account into the utility escrow account.

Recommendation

The Board of Trustees ensure an accurate list of utility deposits is prepared and reconciled monthly to monies in the Utility Escrow Fund bank account. Any discrepancies should be investigated and resolved.

Status

In Progress

New customer refundable deposits are being accounted for in the Utility Escrow Fund. However, deposits paid by existing customers have not been completely identified. The Village Clerk indicated she is continuing to go through the older paper files to identify all deposits. She plans to have a



Village of Leasburg
Follow-up Report on Audit Findings
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complete list of utility deposits by the end of 2016 that will reconcile to the escrow account balance.

**6.2 Payroll and Related
Matters - Withholding
and reporting of
compensation**

Village officials failed to withhold federal taxes from employee pay checks. Village officials also did not properly maintain employee I-9 and W-4 forms as required by law. In addition, the former Bookkeeper failed to file federal payroll tax reports for quarters ending March 31, 2012, September 30, 2012, and December 31, 2013. The village had not paid the taxes, penalties, and interest related to late filing of the 2012 reports, and the amount due to the Internal Revenue Service (IRS) was at least \$870. The village paid penalties and interest totaling \$406 for the late 2013 report.

Recommendation

The Board of Trustees monitor all payroll activity to ensure payroll taxes are withheld and deposited, and payroll checks are authorized. In addition, the Board should ensure payroll tax returns are filed timely and delinquent payroll taxes are remitted. The Board should also ensure I-9 and W-4 forms are maintained for all employees.

Status

Implemented

The Bookkeeper uses a software program that calculates the payroll taxes due. We reviewed IRS documents and check stubs and verified that quarterly payments are being made as required. The village has paid the IRS for all taxes, penalties, and interest owed related to the 2012 taxes. We reviewed one employee's personnel file and verified that I-9 and W-4 forms were present.

**6.3 Payroll and Related
Matter - Time records
and overtime**

We noted the following problems related to payroll records and disbursements.

- The village overpaid the police officer because compensation was based on working 12 hours each pay period. However, the officer did not always work 12 hours and notes on timesheets indicated exceptions.
- The police officer was compensated at the overtime rate (time and one-half) for working on holidays, even though hours worked did not exceed 40 hours per week and the employee handbook provided for holiday pay to be at the employee's normal compensation amount. The officer was also paid overtime compensation for the day after Thanksgiving, even though this day is not listed as a holiday in the employee handbook.
- The village did not have documentation for 14 of 18 payroll disbursements totaling \$3,505 to Board Chairperson Byrd's son from March 2013 through December 2013.



Village of Leasburg
Follow-up Report on Audit Findings
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Recommendation

The Board of Trustees ensure timesheets and time summaries are prepared and signed by employees and reviewed and approved by the Board, and employees record actual time worked. In addition, the Board should ensure the village's overtime policies are followed.

Status

Partially Implemented

We reviewed the January and February 2016 timesheets. They were prepared by the employees, but only one employee signed his/her timesheet. According to the Bookkeeper, the Board reviews the timesheets before authorizing payment; however, there was no documentation on the time sheets or in the meeting minutes of this review and approval. Village officials indicated the Board no longer allows any overtime.

**6.4 Payroll and Related
Matters - Employee
benefits**

The village improperly paid and provided benefits to some employees even though village policy stated employee benefits are not offered. The village also paid personal medical bills for some employees.

Recommendation

The Board of Trustees ensure the village's personnel policy is followed when determining employee benefits paid, and discontinue the practice of issuing checks for employees' personal bills.

Status

Implemented

The Bookkeeper indicated that no employee benefits are paid and checks are no longer issued for employees' personal medical bills. We reviewed the January and February 2016 timesheets and paycheck stubs and the January 2016 bank statement for all checks made payable to employees. We identified no checks issued for employees' personal bills.

**7.1 Disbursements - Water
and sewer services**

We identified the following concerns related to water/sewer contractor services:

- The village did not solicit bids for contracted water and sewer services or services to install water meters.
- A former bookkeeper indicated the water/sewer contractor was a relative of the Board Chairperson that served on the Board until March 2014, and the Chairperson did not always abstain from voting on the contract approvals and payments to this relative, and also signed the contract with the water/sewer contractor.
- The village did not adequately monitor the contract with the water/sewer contractor. The contract provided for various services, including collecting special water samples. However in September



Village of Leasburg
Follow-up Report on Audit Findings
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2013, the village paid an additional \$200 for costs related to collecting water samples. In another instance, the village paid \$100 for the contractor to attend a conference, which was not included in the contract terms.

Recommendation

The Board of Trustees ensure bids are solicited for purchases of goods or services in accordance with village ordinance and policy and closely examine village transactions to identify apparent and actual conflicts of interest. The Board should also implement procedures to monitor contract compliance.

Status

Implemented

We reviewed the contractor's 2015 agreement, payments to the contractor, and also Board meeting minutes. The contractor reports to the Board monthly regarding any issues with the water and sewer operations. If additional work needs to be performed above what is stated in the contract, the contractor must have prior approval from the Board and must give the Board a detailed invoice before additional compensation is paid. In addition, there is no longer a conflict of interest.

8. Elected Officials and Election Procedures

A Board member's actions resulted in nepotism and problems were noted with election procedures.

8.1 Nepotism

According to the April 25, 2012, Board meeting minutes the Board Chairperson voted to employ her son. In addition, in March 2013, the Board Chairperson voted to contract with her first cousin's husband for water and sewer services and voted to hire another first cousin's husband to clean ditches in May 2011.

Recommendation

The Board of Trustees ensure Board members abstain from voting when a relative's appointment is involved and consult legal counsel regarding the village's position regarding this issue.

Status

Implemented

The Board member who had a conflict of interest is no longer on the Board. There are currently no conflicts of interest. Current Board members indicated they understand a member must abstain for a voting decision if he/she has a conflict. Since the Board member is no longer on the Board, a legal opinion was not obtained.

8.2 Candidate qualifications

The village has not established adequate procedures to ensure all candidates for the position of trustee are qualified to run for office.



Village of Leasburg
Follow-up Report on Audit Findings
Status of Findings

- Although a Trustee pled guilty to a felony in 2005, she ran for the Board in April 2014 and was then appointed to fill a vacant seat in April 2014 after not being elected.
- The Board Chairperson was listed on the April 2013 municipal election ballot when her village real estate and personal property taxes were in arrears for tax years 2011 and 2012.
- Another Trustee, elected to the Board in April 2013, owed 2012 village property taxes at the time he was elected to the Board.

Recommendation

The Board of Trustees ensure candidates for village office possess the statutory qualifications for holding office. The Board should also consider seeking legal advice from the Village Attorney regarding the current Board members without the statutory qualification to hold office.

Status

Implemented

The Trustee not qualified to run for public office resigned from the Board in April 2016, and no current Trustees owe village property taxes. We reviewed the process the Board went through for the April 2016 election. The notice for filing posted documented all of the statutory requirements. In addition, candidates must attest to meeting these requirements when completing various affidavits necessary to get their names on the ballot. The police chief conducts background checks on all candidates to ensure they are qualified to run for public office. The village also checks with the County Collector to determine if candidates owe any taxes.

8.3 Late municipal certification filings

Village officials failed to submit April 2012 Board candidate certifications to the county election authority timely. Because the deadline was missed, the village had to hold its election in August 2012. The village incurred additional election costs totaling \$450 because the August 2012 election was a primary election that included candidates for federal office and fewer entities filed election certifications for that election.

Village officials again failed to submit Board candidate certifications to the county election authority timely for the April 2013 election. The village incurred \$550 in additional filing and attorney fees to provide the county election authority a required court order to have village candidates' names printed on the April 2013 election ballot.

Recommendation

The Board of Trustees establish procedures to ensure municipal candidacy for elective official filings are submitted to the county election authority prior to the final certification deadline.



Village of Leasburg
Follow-up Report on Audit Findings
Status of Findings

Status	Implemented We reviewed the documentation for the April 2016 election. The village completed all requirements by the deadline. In addition, the Village Clerk posts filing deadlines on the public bulletin board and sets reminders for village officials to ensure that filings are submitted prior to the final certification deadline.
9. Monitoring of Excess Revenues	The village did not calculate the percent of annual general operating revenue from fines and court costs related to traffic violations for 2013 and 2014, determine whether excess revenues should be distributed to the state Department of Revenue (DOR), and provide an accounting of the percent in its annual financial report as required by state law.
Recommendation	The Board of Trustees work with the municipal division to develop procedures to monitor, track, and report excess revenues from traffic violations, and make appropriate payments to the DOR for any excess revenues.
Status	Not Implemented The village has not done any excess revenue calculations for past or current years. However, the police department now only issues tickets for ordinance violations. The only fines and court costs for traffic violations that the municipal division will collect will be from the few outstanding tickets remaining unpaid.
10. Sunshine Law Compliance and Ordinances	The village did not always ensure compliance with the Sunshine Law and significant improvement to village ordinances was needed.
10.1 Board meeting	We noted problems with Board meetings and minutes.
Closed minutes	<ul style="list-style-type: none">• Closed meetings were not always properly posted.• Meeting minutes were not prepared for 32 of 46 closed Board meetings held from January 1, 2011, through December 9, 2014. In addition, closed meeting minutes were not always approved timely.• We identified numerous discussions in closed meetings that were not allowed by law.
Meeting minutes	Board procedures over meeting minutes needed to be improved.



Village of Leasburg
Follow-up Report on Audit Findings
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- Village officials were unable to locate official minutes for meetings prior to January 1, 2011.
- Some open meeting minutes did not include the time and place of the meeting.

Recommendation

The Board of Trustees ensure all closed meetings are properly posted, prepare and properly approve minutes for all closed meetings, and limit discussions in closed meetings to only those specifically allowed by law. The Board should ensure meeting minutes are maintained in an orderly manner, include all information required by law, and prepared and approved for all meetings.

Status

Implemented

We reviewed open Board meeting minutes from July 2015 to February 2016; the Board did not have any closed meetings during that time period. There were minutes prepared and approved for all meetings, and the minutes included all information required by law.

10.2 Ordinances

Ordinances were not comprehensive or maintained in an organized manner, village practices were not always consistent with ordinances, and the village had not established ordinances in all instances where needed. Many fees collected by the village were not authorized by ordinance.

Recommendation

The Board of Trustees maintain a complete updated set of village ordinances in an organized manner and adopt ordinances setting the rate for all village fees.

Status

In Progress

We noted the village's ordinance books have been organized and the Board has updated several ordinances, including ordinances related to bad check fees and the collection of late fees on utility bills.

**11.1 Property Controls and
Records - Asset records
and inventories**

Capital asset records had not been updated since 2010; property was not tagged, numbered, or otherwise identified as village property; and an annual physical inventory was not performed. In addition, some village assets could not be located.

Recommendation

The Board of Trustees ensure property records are adequately maintained and include all pertinent information for each asset, such as cost, acquisition date, and identifying number; annual physical inventories are conducted; and village assets are tagged to display ownership.



Village of Leasburg
Follow-up Report on Audit Findings
Status of Findings

Status

In Progress

The Board has not taken any steps to implement this recommendation; however, village officials indicated they plan on creating an asset listing and tagging items when a full physical inventory is performed by September 2016.



Office of Missouri State Auditor
Nicole Galloway, CPA

Summary of Audit Findings
Judiciary - Municipal Divisions

Summary of Audit Findings

Judiciary - Municipal Divisions

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Members of the Supreme Court of Missouri
and
Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Kathy Lloyd, State Courts Administrator
Jefferson City, Missouri

This report was compiled using municipal court audit reports issued between July 2014 and June 2016 (report numbers 2014-047 through 2014-143, 2015-001 through 2015-135, and 2016-001 through 2016-042). The objective of this report was to summarize recent audit issues and recommendations regarding Municipal Division operations.

The recommendations address a variety of topics including missing funds, accounting controls and procedures, municipal division procedures, vehicle stop reporting, and monitoring of excess revenue. Appendix A lists the 18 reports with findings covering these topics. Appendix B shows the audit locations by county.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
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Summary of Audit Findings

Judiciary - Municipal Divisions

Audit Issues

1. Missing Funds

In two cities, monies totaling at least \$79,771 were missing from municipal court receipts, and an additional \$31,141 was likely missing.

A lack of adequate oversight, reconciliations, and controls resulted in the failure to detect undeposited receipts. Issues noted included monies receipted but not deposited, monies collected but neither receipted or deposited, monies not recorded into the case management system, fines and costs not handled as ordered by the Municipal Judge, and unaccounted for manual receipt slips. In one city, municipal division receipts were recorded by the court and properly transmitted to the city; however, these monies were not deposited by the city. In addition, some essential records documenting amounts received by the city were altered.

Recommendation

The municipal division work with law enforcement officials regarding any possible criminal prosecution related to the missing funds, including restitution.

Report source

2014-143 (33rd Judicial Circuit/City of Miner Municipal Division)
2015-126 (29th Judicial Circuit/City of Carl Junction Municipal Division)

2. Accounting Controls and Procedures

We identified significant weaknesses with accounting controls and procedures.

2.1 Segregation of duties/oversight

The municipal division had not adequately segregated accounting duties and had not established adequate independent reviews to detect errors and irregularities. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provided adequate supervision or review of the work performed by court personnel. In many instances, the municipal division had only one employee, making segregation of duties difficult.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented supervisory or independent reviews of accounting records.

Recommendation

Segregate accounting duties to the extent possible. If it is not possible to segregate duties, ensure documented periodic independent or supervisory reviews of municipal division records are performed.

Report source

2014-053 (42nd Judicial Circuit/Village of Leasburg Municipal Division)
2014-057 (4th Judicial Circuit/City of Tarkio Municipal Division)



Summary of Audit Findings
Judiciary - Municipal Divisions
Audit Issues

2014-121 (37th Judicial Circuit/City of West Plains Municipal Division)
2014-128 (39th Judicial Circuit/City of Kimberling Municipal Division)
2014-143 (33rd Judicial Circuit/City of Miner Municipal Division)
2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2015-126 (29th Judicial Circuit/City of Carl Junction Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-003 (7th Judicial Circuit/City of Mosby Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)

2.2 Receipting

The municipal division did not maintain accurate records to account for all payments received and deposited, accurately or timely post receipts, or indicate the method of payment for all receipts. Checks and money orders were not always endorsed immediately upon receipt. The municipal division lacked proper controls or procedures for manual and voided receipt slips.

Failure to implement adequate receipting and recording procedures increases the risk that loss, theft, or misuse of monies will go undetected.

Recommendation

Ensure accurate records are maintained to account for all payments received and deposited, receipts are posted accurately and timely, and the method of payment is indicated on all receipts. Checks and money orders should be endorsed immediately upon receipt. Additionally, the municipal division should ensure manual receipt slips are timely entered in the computerized system and the numerical sequence of manual receipt slips is accounted for properly. In addition, voided transactions should be properly documented and approved.

Report source

2014-121 (37th Judicial Circuit/City of West Plains Municipal Division)
2014-128 (39th Judicial Circuit/City of Kimberling Municipal Division)
2014-143 (33rd Judicial Circuit/City of Miner Municipal Division)
2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2015-126 (29th Judicial Circuit/City of Carl Junction Municipal Division)
2015-131 (11th Judicial Circuit/City of Foristell Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)

2.3 Deposits

The municipal division and the city lacked procedures to ensure all monies received were transmitted and deposited intact and timely. Without reconciling the composition of receipts to the composition of monies transmitted and/or deposited, the city cannot ensure monies collected are ultimately deposited. Failure to deposit collections intact and timely increases the risk of loss, theft, or misuse of monies going undetected.



Summary of Audit Findings
Judiciary - Municipal Divisions
Audit Issues

Recommendation Reconcile the composition of receipts to the composition of deposits and deposit all monies intact and timely.

Report source 2014-057 (4th Judicial Circuit/City of Tarkio Municipal Division)
2014-143 (33rd Judicial Circuit/City of Miner Municipal Division)
2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-003 (7th Judicial Circuit/City of Mosby Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)

2.4 Reconciliations The municipal division or city did not reconcile the municipal division bank accounts timely and did not follow up on reconciling items identified.

Documented monthly bank reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded and errors or discrepancies are detected and corrected timely.

Recommendation Perform monthly bank reconciliations, resolve reconciling items, and make appropriate, documented adjustments to accounting records timely.

Report source 2014-053 (42nd Judicial Circuit/Village of Leasburg Municipal Division)
2014-143 (33rd Judicial Circuit/City of Miner Municipal Division)
2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2015-131 (11th Judicial Circuit/City of Foristell Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-003 (7th Judicial Circuit/City of Mosby Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)
2016-041 (21st Judicial Circuit/City of Pine Lawn Municipal Division)

2.5 Liabilities The municipal division did not generate a monthly list of liabilities for comparison to the reconciled bank account balance and was unable to identify open bonds or other items comprising the account balance.

Monthly lists of liabilities are necessary to ensure all bond dispositions and other items have been properly recorded and amounts remaining on the liabilities list over a specified amount of time are properly investigated to determine if further action is needed. The failure to routinely review open bonds and other items and to apply, forfeit, or refund monies when appropriate increases the volume of cases requiring monitoring and deprives the state, city, or others the use of those monies.



Summary of Audit Findings
Judiciary - Municipal Divisions
Audit Issues

Recommendation Prepare monthly lists of liabilities and reconcile the lists to the bank account and/or city fund balance, promptly investigate and resolve differences, and establish procedures to review the status of liabilities to determine the appropriate disposition of funds held.

Report source 2014-143 (33rd Judicial Circuit/City of Miner Municipal Division)
2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-003 (7th Judicial Circuit/City of Mosby Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)
2016-041 (21st Judicial Circuit/City of Pine Lawn Municipal Division)

2.6 Disbursements The municipal division did not always accurately calculate monthly disbursements of fines, court costs, and bonds. In several municipal divisions, court officials or city officials did not disburse amounts received for the state's portion of Crime Victim's Compensation (CVC), Peace Officer Standards and Training (POST), and the Sheriff Retirement Fund (SRF) fees monthly.

To ensure amounts disbursed to the city and state are correct, the municipal division should reconcile amounts included on the various reports with amounts posted to city records and subsequently disbursed.

Recommendation Develop procedures to ensure the monthly distributions are properly calculated and disbursed timely.

Report source 2014-053 (42nd Judicial Circuit/Village of Leasburg Municipal Division)
2014-143 (33rd Judicial Circuit/City of Miner Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)

2.7 Accrued costs The municipal division did not periodically monitor accrued costs owed to the court, including fines and court costs, incarceration costs, and court-ordered restitution. In addition, the municipal division had not created payment plans for all amounts not paid in full at case disposition.

Timely monitoring of accrued costs is necessary to help ensure unpaid amounts are collected, proper follow up action is taken for nonpayment, and to provide information to the Municipal Judge to determine appropriate handling when amounts are deemed uncollectible. Missouri Supreme Court Operating Rule 21 requires all courts using the Justice Information System (JIS) to participate in the tax offset and debt collection programs and



Summary of Audit Findings
Judiciary - Municipal Divisions
Audit Issues

requires the municipal division to create payment plans in the JIS for all amounts not paid in full at case disposition. Payment agreements signed by the defendant formalize the liability to the municipal division and could aid in the collection process.

Recommendation

Establish procedures to routinely generate and review the accrued costs list for accuracy and properly follow up on all amounts due. In addition, obtain signed payment plans from all defendants and ensure payment plans are established in the JIS in accordance with court operating rules when applicable.

Report source

2014-121 (37th Judicial Circuit/City of West Plains Municipal Division)
2014-128 (39th Judicial Circuit/City of Kimberling Municipal Division)
2015-126 (29th Judicial Circuit/City of Carl Junction Municipal Division)
2015-131 (11th Judicial Circuit/City of Foristell Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)
2016-041 (21st Judicial Circuit/City of Pine Lawn Municipal Division)

2.8 Adjustments

The municipal division had not established procedures to ensure adjustments and noncash transactions posted to the case management system were properly documented and reviewed by an independent person. The Court Clerk/Administrator could post an adjustment when the municipal division did not assess fines and court costs in accordance with the violations bureau schedule, Municipal Judge's orders, or plea agreements. When the Judge approved noncash transactions, there was not an independent review of the transaction that court personnel posted to the case management system to ensure the recorded transaction agrees to what the Judge approved. Noncash transactions include community service; jail time served; and waiver of fines, court costs, and fees through a judicial order.

Adequate documentation and independent review and approval of adjustments are necessary to help ensure transactions are appropriate and reduce the risk of errors, loss, theft, or misuse of funds.

Recommendation

Ensure adequate documentation is maintained to support all adjustment transactions and ensure an independent review and approval of these transactions is performed and documented.

Report source

2014-121 (37th Judicial Circuit/City of West Plains Municipal Division)
2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-028 (17th Judicial Circuit/City of Harrisonville Municipal Division)



Summary of Audit Findings
Judiciary - Municipal Divisions
Audit Issues

2.9 Change fund

The municipal division change fund was not maintained at a constant amount or reconciled to the authorized balance.

To safeguard against possible loss, theft, or misuse of funds, change funds should be maintained at a constant amount and the funds should be periodically counted and reconciled to the authorized balance by an independent person.

Recommendation

Maintain the change fund at an established amount and periodically count and reconcile the monies on hand to the authorized balance.

Report source

2016-006 (45th Judicial Circuit/City of Foley Municipal Division)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)

2.10 Court Clerk bond

The Court Clerk, who handled and had access to monies, was not covered by the city's bond. Failure to properly bond individuals who have access to funds exposes the municipal division to risk of loss.

Recommendation

Maintain bond coverage for all personnel with access to municipal division monies.

Report source

2014-128 (39th Judicial Circuit/City of Kimberling Municipal Division)

3. Municipal Division Procedures

Municipal division procedures needed improvement.

3.1 Case disposition

The municipal division did not have adequate procedures to ensure accurate recording of case activity through final disposition. Municipal division personnel documented case information for each defendant on backer sheets or dockets maintained in manual case files as well as computerized docket sheets maintained in the case management system. However, information recorded on the backer sheets was very inconsistent, often incomplete, and in some cases blank. In addition, the Municipal Judge did not always approve the final disposition of cases brought before the court and did not always review and approve traffic and ordinance violation tickets paid at the violations bureau.

Supreme Court Operating Rule 4.08 requires municipal divisions to maintain a docket or backer sheet for each case. All information regarding the case should be documented including, but not limited to, a copy of the ticket, case number, defendant name, sentence, bond information, warrant information, and disposition of the case. Accurate recording of the case information is necessary to ensure all fines and court costs have been properly collected and deposited. In addition, the Municipal Judge should



Summary of Audit Findings
Judiciary - Municipal Divisions
Audit Issues

sign the docket or backer sheet to indicate approval of the recorded disposition.

Recommendation

Ensure the proper disposition of cases is documented on the court dockets or backer sheets and all court dockets and backer sheets are signed by the Municipal Judge.

Report source

2014-053 (42nd Judicial Circuit/Village of Leasburg Municipal Division)
2014-121 (37th Judicial Circuit/City of West Plains Municipal Division)
2015-126 (29th Judicial Circuit/City of Carl Junction Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-003 (7th Judicial Circuit/City of Mosby Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)
2016-041 (21st Judicial Circuit/City of Pine Lawn Municipal Division)

3.2 Prosecutor approval

The Prosecuting Attorney's approval to file charges on tickets and the approval of amended or dismissed traffic tickets was not always clearly documented. The Prosecuting Attorney did not file an information with the municipal division for the prosecution of failure to appear ordinance violations. In addition, the controls over the Prosecuting Attorney's signature stamp were not always adequate to ensure the Prosecuting Attorney authorized all uses of the stamp.

The ability of the Court Clerk/Administrator to apply the Prosecuting Attorney's signature by facsimile stamp without a review by the Prosecuting Attorney is a significant control weakness, and increases the likelihood of tickets being handled improperly and the risk of loss, theft, or misuse of monies going undetected. Missouri Supreme Court Rules 37.34 and 37.35 state ordinance violations shall be in writing and signed by the prosecutor and filed with the municipal division. The Prosecuting Attorney's review, documented with his signature, is needed to provide assurance proper cases and charges are filed with the municipal division.

Recommendation

Ensure a citation or information signed by the Prosecuting Attorney is filed for each ordinance violation to be prosecuted. In addition, the municipal division should ensure the Prosecuting Attorney signs all tickets and reviews and approves all amended and dismissed tickets. Additionally, the Prosecuting Attorney should discontinue allowing the use of facsimile signatures.

Report source

2014-053 (42nd Judicial Circuit/Village of Leasburg Municipal Division)
2014-128 (39th Judicial Circuit/City of Kimberling Municipal Division)
2015-131 (11th Judicial Circuit/City of Foristell Municipal Division)



Summary of Audit Findings
Judiciary - Municipal Divisions
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2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-003 (7th Judicial Circuit/City of Mosby Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-028 (17th Judicial Circuit/City of Harrisonville Municipal Division)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)
2016-041 (21st Judicial Circuit/City of Pine Lawn Municipal Division)

3.3 Missing records

The municipal division did not maintain case records in a complete and accurate manner. The municipal division could not locate all manual case files requested during the audit. Entries in the computerized system were not always accurate and the fines and court costs assessed in the computerized system did not always agree to the amounts established for the violations bureau or the Municipal Judge's orders. As a result, we could not determine if the case and financial activity and disposition of those tickets had been properly reflected in the case management system.

Supreme Court Operating Rule 4.08 requires municipal divisions to maintain a docket or backer sheet for each case. All information regarding the case should be documented including, but not limited to, a copy of the ticket, case number, defendant name, sentence, bond information, warrant information, and disposition of the case. In addition, Supreme Court Operating Rule No. 8.04.7 requires all financial records be maintained for 5 years or until completion of an audit. Accurate recording of the case information and retention of applicable records is necessary to properly account for the municipal division's financial activity and to reduce the risk that loss, theft, or misuse of funds will go undetected.

Recommendation

Ensure the proper disposition of cases is documented in manual and electronic records and sufficient documentation is maintained to support all case actions.

Report source

2014-121 (37th Judicial Circuit/City of West Plains Municipal Division)
2014-128 (39th Judicial Circuit/City of Kimberling Municipal Division)
2016-041 (21st Judicial Circuit/City of Pine Lawn Municipal Division)

3.4 Fees

The municipal division assessed a potentially improper fee, or fees for which there was no statutory authorization or which had not been formally established in city ordinance, and/or assessed fees at amounts other than allowed by state law. Examples of potentially improper fees included warrant fees, failure to appear fees attached to original violations, bond processing fees, booking fees, police recoupment fees, electronic monitoring and work release fees.



Summary of Audit Findings
Judiciary - Municipal Divisions
Audit Issues

Audits of 10 municipal divisions identified at least \$316,000 collected for fees which appeared improper or were assessed at the wrong amount.

Recommendation

Ensure court fees are assessed as allowed by Supreme Court Operating Rules, state laws, and city ordinances. Work with the city and legal counsel to reevaluate fees assessed by the municipal division and the authority to assess each fee.

Report source

2014-128 (39th Judicial Circuit/City of Kimberling Municipal Division)
2014-143 (33rd Judicial Circuit/City of Miner Municipal Division)
2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2015-131 (11th Judicial Circuit/City of Foristell Municipal Division)
2015-132 (21st Judicial Circuit/City of St. Ann Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-003 (7th Judicial Circuit/City of Mosby Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-041 (21st Judicial Circuit/City of Pine Lawn Municipal Division)

3.5 Warrants

The Municipal Judge did not sign warrants issued and did not issue written authorization for the Court Clerk/Administrator to sign warrants on his behalf. In addition, the Municipal Judge allowed the Court Clerk/Administrator to use his signature stamp on warrants and failure to appear notices. Without the signature or written authorization, there is no documentation the warrants were authorized. In addition, the municipal division did not always issue warrants timely.

Supreme Court Rule 37.45 states a warrant shall be signed by the judge or by the clerk of the court when directed by the judge for a specific warrant. To ensure warrants are properly issued in accordance with Supreme Court rules, the Municipal Judge should sign warrants or provide specific written authorization for the Court Clerk/Administrator to sign warrants and discontinue allowing the use of his facsimile signature. In addition, warrants should be issued timely to ensure outstanding court appearances and fines are addressed.

Recommendation

Ensure warrants are signed by a Municipal Judge or by the Court Clerk/Administrator only when directed by the Municipal Judge for a specific warrant, and ensure warrants are issued timely.

Report source

2014-053 (42nd Judicial Circuit/Village of Leasburg Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)

**3.6 Monthly reports to city
and state**

The municipal division did not always submit accurate monthly reports of municipal division activity to the Office of State Courts Administrator



Summary of Audit Findings
Judiciary - Municipal Divisions
Audit Issues

(OSCA) or city. As a result, municipal division activities may have been incorrectly reported to the OSCA and the city cannot effectively monitor municipal division activity and ensure monies were properly remitted.

Supreme Court Operating Rules 4.28 and 4.29, and OSCA instructions require monthly reports of cases filed and fines and court costs collected to be submitted to the OSCA. Section 479.080.3, RSMo, and Supreme Court Operating Rule 4.29 require the Court Clerk/Administrator to prepare a monthly list of all cases heard in the municipal division court, including the names of the defendants and fines and court costs imposed, to be verified by the Court Clerk/Administrator or Municipal Judge and filed with the city.

Recommendation

Establish procedures to generate accurate monthly reports of municipal division activity and submit these reports timely to the OSCA and the city in accordance with state law and the Supreme Court Operating Rules.

Report source

2014-053 (42nd Judicial Circuit/Village of Leasburg Municipal Division)
2014-143 (33rd Judicial Circuit/City of Miner Municipal Division)
2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2015-131 (11th Judicial Circuit/City of Foristell Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-041 (21st Judicial Circuit/City of Pine Lawn Municipal Division)

3.7 Ticket accountability

Neither the municipal division nor the city police department adequately accounted for the numerical sequence and ultimate disposition of all tickets issued.

Without properly accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the police department cannot ensure all tickets issued are properly submitted for processing.

Recommendation

Work with the police department to ensure the numerical sequence and ultimate disposition of all tickets, including voided tickets, are accounted for properly.

Report source

2014-053 (42nd Judicial Circuit/Village of Leasburg Municipal Division)
2014-074 (33rd Judicial Circuit/City of Sikeston Municipal Division)
2014-121 (37th Judicial Circuit/City of West Plains Municipal Division)
2014-143 (33rd Judicial Circuit/City of Miner Municipal Division)
2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-041 (21st Judicial Circuit/City of Pine Lawn Municipal Division)



Summary of Audit Findings
Judiciary - Municipal Divisions
Audit Issues

3.8 Bond procedures

The city police department and the municipal division did not work together to ensure all bonds were accounted for properly or to account for the numerical sequence of bond forms issued. The municipal division did not always issue a receipt slip or provide any other formal acknowledgement to the police department for receipt of cash bond transmittals. Police department personnel issued generic unnumbered bond forms or used prenumbered bond forms issued out of sequence. Police department personnel did not always maintain an adequate log of bond forms issued. As a result, it was not possible to account for the numerical sequence of bond forms issued.

To reduce the risk of loss, theft, or misuse of bond monies received, adequate procedures are necessary to provide assurance all bond monies are accounted for properly and processed timely.

Recommendation

Work with the police department to ensure official prenumbered bond forms are issued, the numerical sequence of all bond forms is accounted for, and a bond log is maintained to record all bonds received. In addition, all bond receipts should be recorded and deposited timely and intact.

Report source

2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2015-126 (29th Judicial Circuit/City of Carl Junction Municipal Division)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)

3.9 Data security

Municipal division records were not adequately protected and were susceptible to unauthorized access or damage. The division did not periodically back up the data in the computer system, have adequate user identification and password controls, properly restrict user access to the computer system, nor periodically review user access to data and other information in the computer system to ensure access rights remained appropriate.

Preparation of backup data on a frequent basis, periodic testing to ensure the backup process is adequate, and off-site storage would provide reasonable assurance data could be recovered if necessary. User identification and unique, confidential passwords that are changed periodically are required to reduce the risk of unauthorized access to and use of computers and data. To prevent unauthorized changes to ticket, receipt, and case information and inappropriate access to personal data, access should be limited based on current user needs. Periodic reviews of user access rights ensures the right type and level of access has been provided and only to appropriate personnel.

Recommendation

Regularly back up computer data and ensure it is stored in a secure off-site location and its recovery is tested on a regular, predefined basis. Require unique user identifications and passwords for each employee and passwords



Summary of Audit Findings
Judiciary - Municipal Divisions
Audit Issues

that are confidential and periodically changed. Ensure user access is periodically reviewed and unnecessary access, including that of terminated users, is removed timely, as well as review user access to data and other information resources to ensure access rights are commensurate with current user job responsibilities.

Report source

2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2015-126 (29th Judicial Circuit/City of Carl Junction Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)

4. Vehicle Stop Reporting

The police department did not retain adequate documentation to support the vehicle stop data submitted to the Attorney General's Office (AGO) for the year audited.

Section 590.650, RSMo, requires law enforcement agencies to submit stop data to the AGO annually. Section 109.255, RSMo, authorizes the Missouri Local Records Board, chaired by the Secretary of State, to establish minimum retention periods for records created by local governments. The Police Clerk's Record Retention Schedule established by the Local Records Board requires the racial profiling statistics be retained for a minimum of 1 year after submission to the AGO.

Recommendation

The police department should ensure adequate records are maintained to support the vehicle stop information submitted annually to the AGO.

Report source

2015-132 (21st Judicial Circuit/City of St. Ann Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-041 (21st Judicial Circuit/City of Pine Lawn Municipal Division)

5. Monitoring of Excess Revenue

Procedures related to the calculation of excess revenues due to the Missouri Department of Revenue (DOR) were not adequate to ensure compliance with state law. The municipal division did not always have procedures in place to accurately identify traffic violation tickets and the associated fines and court costs to be included in the calculation of excess revenues. The city's calculation included certain items that were not required to be included in the traffic violation revenue total. Also, the city's general operating revenue calculation improperly included revenues restricted for specific purposes and transfers from other funds, and the percentage calculated was not mathematically accurate. As a result, the city's calculation did not accurately assess the excess revenues owed to the DOR.

Five audits identified a total of \$765,000 in excess revenues due to DOR beyond what the cities had reported. Several more audits identified the cities



Summary of Audit Findings
Judiciary - Municipal Divisions
Audit Issues

failed to calculate and report excess revenues or the records were too poor to allow a calculation.

Section 302.341, RSMo, (as it existed from August 28, 2013, to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations in its annual financial report submitted to the SAO and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR.

Effective August 28, 2015, Senate Bill 5 changed the requirements regarding excess revenues. Section 479.350, RSMo, provided new definitions for elements of the excess revenue calculation. Section 479.359.1, RSMo, requires cities to annually calculate the percent of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations and send the excess revenues to DOR. Section 479.359.2, RSMo, reduces the amounts of these revenues the city may retain in the future.

Due to the impact of these provisions on operations of the municipal division and the city it is important the city and its municipal division take immediate action to implement policies and procedures to ensure future compliance with state law.

Recommendation

Develop procedures and records to identify applicable violations and the associated fines and court costs revenues and provide this information to the city. Work with the city to ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues and court revenues in the calculations. In addition, once excess revenues have been accurately calculated, maintain documentation to support the calculations, and make appropriate payments to the DOR for any excess revenues identified.

Report source

2014-121 (37th Judicial Circuit/City of West Plains Municipal Division)
2014-128 (39th Judicial Circuit/City of Kimberling Municipal Division)
2014-143 (33rd Judicial Circuit/City of Miner Municipal Division)
2015-017 (25th Judicial Circuit/City of Dixon Municipal Division)
2015-126 (29th Judicial Circuit/City of Carl Junction Municipal Division)
2015-131 (11th Judicial Circuit/City of Foristell Municipal Division)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-003 (7th Judicial Circuit/City of Mosby Municipal Division)
2016-006 (45th Judicial Circuit/City of Foley Municipal Division)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)
2016-041 (21st Judicial Circuit/City of Pine Lawn Municipal Division)

Summary of Audit Findings

Judiciary - Municipal Divisions

Appendix A - Audit Reports

Report Number	Title	Publication Date	Overall Rating
2014-053	42nd Judicial Circuit/Village of Leasburg Municipal Division	August 2014	Fair
2014-057	4th Judicial Circuit/City of Tarkio Municipal Division	August 2014	Good
2014-074	33rd Judicial Circuit/City of Sikeston Municipal Division	September 2014	Good
2014-121	37th Judicial Circuit/City of West Plains Municipal Division	December 2014	Fair
2014-128	39th Judicial Circuit/City of Kimberling Municipal Division	December 2014	Good
2014-143	33rd Judicial Circuit/City of Miner Municipal Division	December 2014	Poor
2015-017	25th Judicial Circuit/City of Dixon Municipal Division	April 2015	Fair
2015-126	29th Judicial Circuit/City of Carl Junction Municipal Division	December 2015	Poor
2015-131*	11th Judicial Circuit/City of Foristell Municipal Division	December 2015	Good
2015-132*	21st Judicial Circuit/City of St. Ann Municipal Division	December 2015	Good
2015-135	29th Judicial Circuit/City of Joplin Municipal Division	December 2015	Poor
2016-002*	45th Judicial Circuit/City of Winfield Municipal Division	January 2016	Fair
2016-003*	7th Judicial Circuit/City of Mosby Municipal Division	January 2016	Fair
2016-006*	45th Judicial Circuit/City of Foley Municipal Division	January 2016	Fair
2016-010*	24th Judicial Circuit/City of Leadington Municipal Division	March 2016	Fair
2016-028	17th Judicial Circuit/City of Harrisonville Municipal Division	May 2016	Good
2016-033*	21st Judicial Circuit/City of Bella Villa Municipal Division	June 2016	Fair
2016-041*	21st Judicial Circuit/City of Pine Lawn Municipal Division	June 2016	Poor

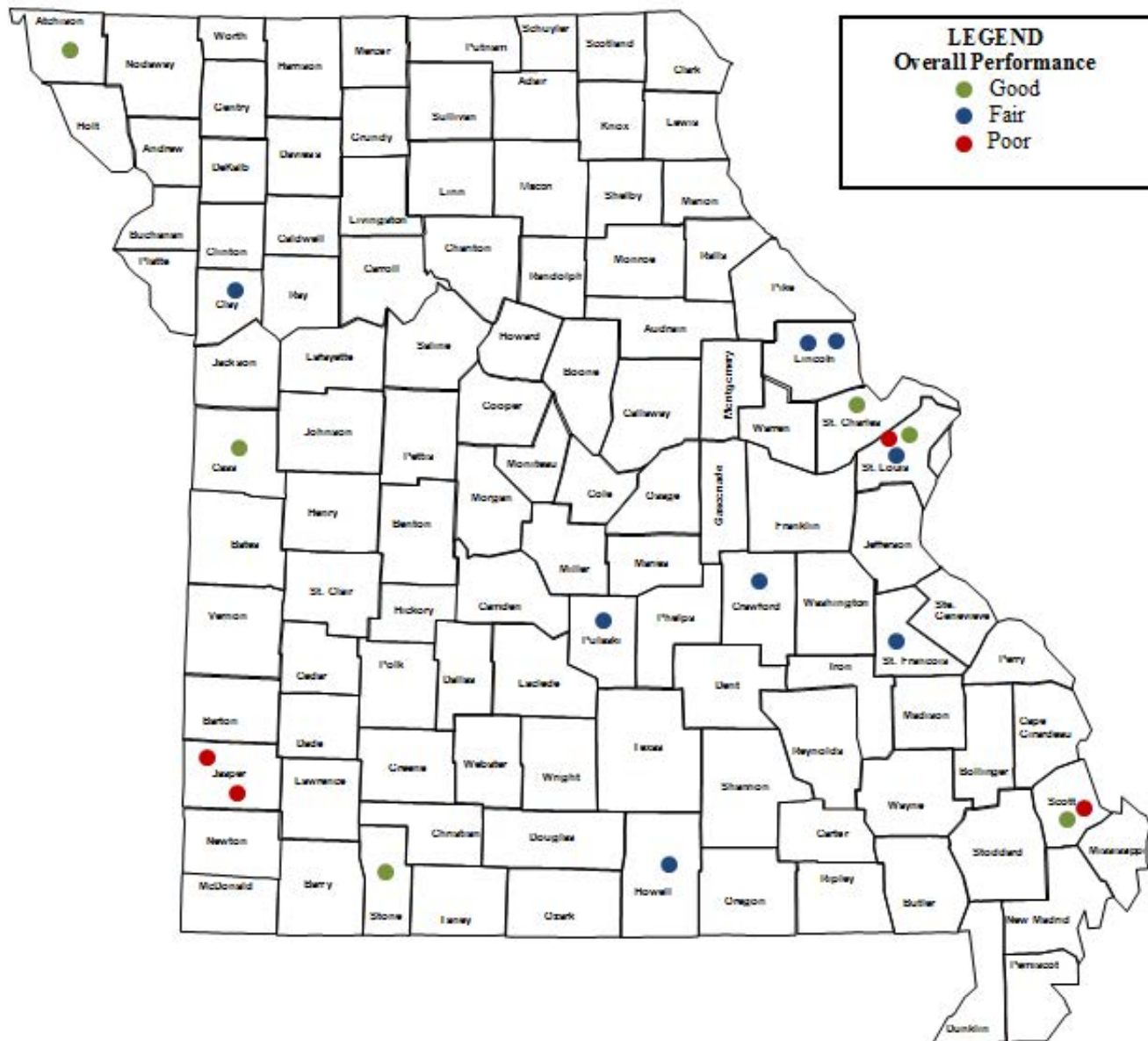
* Indicates the audit was performed as part of the State Auditor's Municipal Courts Initiative

Summary of Audit Findings

Judiciary - Municipal Divisions

Appendix B - Audit Locations by County

Audits Issued - July 2014 to June 2016





Office of Missouri State Auditor
Nicole Galloway, CPA

**Monthly Report on Municipal Court
and Revenue Filings
June 2016**

Monthly Report on Municipal Court and Revenue Filings

June 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this compilation is to report the filing status for the cities, towns, and villages with a December 31, 2015, fiscal year end, that were required to file a financial report by June 30, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030, and, when applicable, a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180. This report also contains the filing status for the counties required to file a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.030. The filing status for these 505 counties, cities, towns, and villages are presented in summary on page 3 and by individual entity in Appendix A. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them.

Section 479.362, RSMo, provides that the State Auditor's Office (SAO) notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the addendum provision of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, and will not be transmitting any information related to the addendum under Section 479.359, RSMo, to the Department of Revenue.

This report also includes the updated filing status for cities, towns, and villages that filed at least one of the items (financial report, addendum, or certification) in June 2016, after their filing deadline. The filing status for these 10 cities and a village is presented in summary on page 3 and by individual entity in Appendix B, Appendix C, and Appendix D.

A handwritten signature in black ink, reading "Nicole R. Galloway", is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

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Monthly Report on Municipal Court and Revenue Filings

June 2016

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359.1, RSMo, effective August 28, 2015, requires every county, city, town, and village to annually calculate the percentage of its annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations.

Section 479.359.3 provides that all municipalities file an addendum to the annual financial report containing (1) annual general operating revenue; (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations; and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the provisions of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, but has identified entities filing addendums.

Section 479.360, RSMo, effective August 28, 2015, requires every county, city, town, and village that operates a municipal court to file with its annual financial report a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. 15 CSR 40-3.180 provides the procedure to file the municipal court certification. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

This report includes the filing status for the 505 counties, cities, towns, and villages with a fiscal year end of December 31, 2015, whose financial reports or certifications were due by June 30, 2016. Of the 505 entities, 209 filed an annual financial report and 142 filed an addendum. A municipal court certification was filed by 112 entities, and 52 entities with a municipal court judge did not file a certification.

This report also includes the filing status for 10 cities and 1 village that filed at least one of the items (financial report, addendum, or certification) in June 2016, after their filing deadline. Of these entities, 3 filed an annual financial report, 2 filed an addendum, and 7 filed a municipal court certification.

Appendix A

Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
Adair County	n/a	—	n/a
Andrew County	n/a	—	n/a
Arrow Point Village, Inc.	Yes	—	n/a
Atchison County	n/a	Yes	n/a
Audrain County	n/a	—	n/a
Barry County	n/a	—	n/a
Barton County	n/a	—	n/a
Bates County	n/a	—	n/a
Benton County	n/a	—	n/a
Bollinger County	n/a	—	n/a
Boone County	n/a	—	n/a
Buchanan County	n/a	Yes	n/a
Butler County	n/a	Yes	n/a
Caldwell County	n/a	—	n/a
Callaway County	n/a	—	n/a
Camden County	n/a	—	n/a
Cape Girardeau County	n/a	—	n/a
Carroll County	n/a	—	n/a
Carter County	n/a	—	n/a
Cass County	n/a	Yes	Yes
Cedar County	n/a	—	n/a
Chariton County	n/a	—	n/a
Christian County	n/a	—	n/a
City of Amoret	No	—	n/a
City of Annapolis	No	—	n/a
City of Anniston	Yes	—	n/a
City of Armstrong	No	—	No
City of Aurora	Yes	Yes	Yes
City of Auxvasse	No	—	Yes
City of Ballwin	Yes	—	Yes
City of Baring	Yes	—	n/a
City of Barnett	Yes	—	n/a
City of Bates City	No	—	Yes
City of Bel Nor	No	Yes	Yes
City of Bellflower	Yes	—	Yes
City of Bertrand	Yes	Yes	Yes
City of Billings	Yes	—	No
City of Birch Tree	No	—	n/a
City of Blackburn	Yes	—	No
City of Blainstown	No	—	n/a

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Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Bloomsdale	No	—	n/a
City of Bolckow	No	—	n/a
City of Bolivar	Yes	Yes	Yes
City of Bosworth	No	—	n/a
City of Brandsville	Yes	—	n/a
City of Branson	Yes	—	Yes
City of Brashear	No	—	n/a
City of Breckenridge Hills	Yes	Yes	Yes
City of Brentwood	Yes	Yes	Yes
City of Bridgeton	Yes	—	No
City of Bronaugh	Yes	Yes	n/a
City of Browning	No	—	n/a
City of Bucklin	No	—	n/a
City of Butterfield	No	—	No
City of Cainsville	Yes	—	n/a
City of Camden	Yes	Yes	Yes
City of Camden Point	No	—	No
City of Canalou	Yes	—	No
City of Cardwell	No	—	No
City of Carytown	Yes	—	n/a
City of Cassville	Yes	—	No
City of Center	Yes	—	n/a
City of Centerview	Yes	Yes	n/a
City of Centerville	Yes	—	n/a
City of Chesterfield	Yes	Yes	Yes
City of Chilhowee	No	—	n/a
City of Clearmont	Yes	—	n/a
City of Cole Camp	No	—	n/a
City of Conception Junction	No	—	n/a
City of Cottleville	Yes	Yes	Yes
City of Crestwood	Yes	Yes	Yes
City of Crystal Lake Park	Yes	—	n/a
City of Crystal Lakes	No	—	Yes
City of Curryville	Yes	Yes	Yes
City of Dardenne Prairie	Yes	Yes	Yes
City of Dearborn	No	—	No
City of Deepwater	Yes	—	n/a
City of Dellwood	Yes	Yes	Yes
City of Des Peres	Yes	Yes	Yes
City of Downing	No	—	n/a

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Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Drexel	Yes	Yes	n/a
City of Duenweg	No	Yes	Yes
City of East Lynne	Yes	Yes	n/a
City of Easton	No	—	No
City of Edgar Springs	No	Yes	n/a
City of Edgerton	Yes	Yes	Yes
City of Edina	No	—	n/a
City of Eldon	No	—	No
City of Ellisville	Yes	Yes	Yes
City of Elmer	Yes	—	n/a
City of Elsberry	No	—	Yes
City of Eminence	Yes	—	n/a
City of Emma	No	—	n/a
City of Excelsior Estates	No	—	n/a
City of Fair Play	No	—	Yes
City of Fairfax	No	Yes	Yes
City of Fairview	Yes	—	No
City of Fenton	Yes	Yes	Yes
City of Fleming	Yes	Yes	Yes
City of Flint Hill	Yes	Yes	n/a
City of Flordell Hills	No	Yes	Yes
City of Foley	No	—	No
City of Forest City	No	—	n/a
City of Foristell	Yes	Yes	Yes
City of Fremont Hills	No	—	n/a
City of Fulton	Yes	Yes	Yes
City of Galena	No	Yes	No
City of Gallatin	No	—	Yes
City of Gerald	Yes	—	No
City of Gilliam	No	—	n/a
City of Gilman City	No	—	n/a
City of Goodman	Yes	Yes	Yes
City of Graham	Yes	—	n/a
City of Grain Valley	Yes	—	No
City of Grandin	No	—	n/a
City of Grant City	No	Yes	n/a
City of Green Castle	No	—	n/a
City of Green Park	Yes	Yes	n/a
City of Greentop	No	—	n/a
City of Greenville	No	—	n/a

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Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Hale	Yes	—	n/a
City of Halltown	No	—	n/a
City of Harrisonville	Yes	Yes	Yes
City of Hawk Point	No	—	n/a
City of Henrietta	Yes	Yes	Yes
City of High Hill	No	Yes	Yes
City of Holts Summit	No	Yes	Yes
City of Homestead Village	No	—	Yes
City of Homestown	No	—	n/a
City of Hopkins	Yes	—	n/a
City of Houston	Yes	Yes	Yes
City of Houstonia	No	—	n/a
City of Humansville	Yes	—	Yes
City of Hume	Yes	—	n/a
City of Huntleigh	No	—	n/a
City of Iron Mountain Lake	Yes	—	Yes
City of Jackson	Yes	Yes	Yes
City of Jamestown	Yes	Yes	Yes
City of Jasper	No	—	n/a
City of Kidder	No	—	n/a
City of Kimberling City	No	—	No
City of Kimmswick	No	—	No
City of Kingston	No	—	n/a
City of Kingsville	Yes	—	n/a
City of Kirksville	Yes	Yes	Yes
City of Knob Noster	No	Yes	No
City of Laclede	No	—	n/a
City of Ladue	Yes	Yes	Yes
City of Lake Lotawana	No	—	No
City of Lake Ozark	Yes	—	No
City of Lake Waukomis	No	Yes	Yes
City of Lake Winnebago	Yes	Yes	Yes
City of Lakeshire	Yes	Yes	Yes
City of Lakeside	No	—	n/a
City of Lanagan	No	—	No
City of Lancaster	No	—	n/a
City of Laredo	Yes	Yes	n/a
City of Laurie	Yes	Yes	Yes
City of Leeton	No	—	n/a
City of Levasy	Yes	—	n/a

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Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
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Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Liberal	Yes	—	n/a
City of Liberty	Yes	Yes	Yes
City of Lincoln	No	Yes	Yes
City of Linneus	Yes	—	n/a
City of Lupus	No	—	n/a
City of Macon	Yes	Yes	Yes
City of Malta Bend	Yes	Yes	Yes
City of Manchester	Yes	Yes	Yes
City of Marionville	No	—	No
City of Marquand	Yes	—	n/a
City of Marshfield	Yes	Yes	Yes
City of Marston	No	—	Yes
City of Maryland Heights	Yes	Yes	Yes
City of Matthews	No	Yes	Yes
City of McFall	No	—	n/a
City of Meadville	Yes	—	n/a
City of Merriam Woods	No	—	No
City of Metz	Yes	—	n/a
City of Miami	No	—	n/a
City of Missouri City	Yes	—	Yes
City of Mokane	Yes	—	n/a
City of Moline Acres	Yes	Yes	Yes
City of Morehouse	Yes	—	No
City of Morley	No	Yes	n/a
City of Moscow Mills	No	Yes	Yes
City of Mount Vernon	Yes	Yes	Yes
City of Naylor	Yes	Yes	n/a
City of Neelyville	No	—	n/a
City of Nevada	Yes	—	Yes
City of New Bloomfield	No	—	No
City of New Cambria	No	—	n/a
City of New Hampton	No	—	n/a
City of New Madrid	No	—	No
City of New Melle	No	—	No
City of Niangua	Yes	—	n/a
City of Nixa	Yes	Yes	Yes
City of Noel	No	—	No
City of Northwoods	Yes	Yes	Yes
City of Oak Grove	Yes	Yes	Yes
City of O'Fallon	Yes	Yes	Yes

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Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Old Monroe	Yes	Yes	Yes
City of Orrick	Yes	Yes	Yes
City of Osage Beach	Yes	—	No
City of Otterville	Yes	—	n/a
City of Ozark	Yes	—	No
City of Parkville	No	Yes	Yes
City of Parnell	Yes	—	n/a
City of Pascola	No	—	n/a
City of Pevely	No	—	No
City of Pineville	Yes	Yes	Yes
City of Pleasant Hope	Yes	Yes	n/a
City of Polo	Yes	—	No
City of Poplar Bluff	No	Yes	Yes
City of Purcell	No	—	n/a
City of Queen City	No	—	n/a
City of Randolph	No	—	No
City of Reeds Spring	No	—	No
City of Republic	Yes	—	No
City of Revere	Yes	—	n/a
City of Rich Hill	No	—	n/a
City of Richards	Yes	—	n/a
City of Ridgeway	Yes	—	n/a
City of Rock Port	Yes	—	Yes
City of Rockville	Yes	—	n/a
City of Russellville	Yes	—	Yes
City of Sarcoxie	No	—	n/a
City of Schell City	No	—	n/a
City of Seligman	Yes	Yes	Yes
City of Seneca	Yes	—	No
City of Shelbyville	No	Yes	n/a
City of Sheldon	Yes	Yes	n/a
City of Sheridan	Yes	—	n/a
City of Shrewsbury	Yes	Yes	Yes
City of Slater	No	—	No
City of Southwest City	No	—	No
City of St. Ann	Yes	Yes	Yes
City of St. Charles	Yes	—	No
City of St. Clair	Yes	Yes	Yes
City of St. John	Yes	Yes	Yes
City of St. Paul	No	—	n/a

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Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of St. Robert	No	—	No
City of Stanberry	Yes	Yes	Yes
City of Stewartsville	No	—	n/a
City of Stotts City	No	—	n/a
City of Strasburg	No	—	n/a
City of Sumner	No	—	n/a
City of Sunset Hills	No	Yes	Yes
City of Syracuse	No	—	n/a
City of Tindall	No	—	n/a
City of Town and Country	Yes	—	Yes
City of Tracy	No	—	No
City of Trimble	No	Yes	Yes
City of Union Star	No	—	n/a
City of Van Buren	No	—	n/a
City of Versailles	Yes	Yes	Yes
City of Walnut Grove	No	—	No
City of Warsaw	No	Yes	Yes
City of Waynesville	No	Yes	Yes
City of Weatherby Lake	Yes	Yes	Yes
City of Wentzville	Yes	Yes	Yes
City of Weston	Yes	Yes	No
City of Wheaton	Yes	—	No
City of Wheeling	No	—	n/a
City of Wilbur Park	Yes	—	n/a
City of Wildwood	Yes	Yes	Yes
City of Willard	Yes	Yes	Yes
City of Williamsville	Yes	—	n/a
City of Willow Springs	No	Yes	Yes
City of Winfield	Yes	Yes	Yes
City of Winona	Yes	Yes	Yes
City of Wright City	Yes	Yes	Yes
City of Wyaconda	Yes	—	n/a
City of Wyatt	Yes	Yes	n/a
Clark County	n/a	—	n/a
Clay County	n/a	—	n/a
Clinton County	n/a	Yes	n/a
Cole County	n/a	—	n/a
Cooper County	n/a	—	n/a
Crawford County	n/a	—	n/a
Dade County	n/a	—	n/a

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Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
Dallas County	n/a	—	n/a
Daviess County	n/a	Yes	n/a
DeKalb County	n/a	—	n/a
Dent County	n/a	—	n/a
Douglas County	n/a	—	n/a
Dunklin County	n/a	—	n/a
Franklin County	n/a	Yes	No
Gasconade County	n/a	—	n/a
Gentry County	n/a	—	n/a
Greene County	n/a	Yes	n/a
Grundy County	n/a	—	n/a
Harrison County	n/a	—	n/a
Henry County	n/a	Yes	n/a
Hickory County	n/a	—	n/a
Holt County	n/a	—	n/a
Howard County	n/a	—	n/a
Howell County	n/a	—	n/a
Iron County	n/a	—	n/a
Jackson County	n/a	Yes	Yes
Jasper County	n/a	—	n/a
Jefferson County	n/a	Yes	Yes
Johnson County	n/a	—	n/a
Knox County	n/a	Yes	Yes
Laclede County	n/a	—	n/a
Lafayette County	n/a	Yes	n/a
Lawrence County	n/a	Yes	n/a
Lewis County	n/a	—	n/a
Lincoln County	n/a	—	n/a
Linn County	n/a	Yes	n/a
Livingston County	n/a	—	n/a
Macon County	n/a	—	n/a
Madison County	n/a	—	n/a
Maries County	n/a	—	n/a
Marion County	n/a	—	n/a
McDonald County	n/a	Yes	n/a
Mercer County	n/a	—	n/a
Miller County	n/a	—	n/a
Mississippi County	n/a	—	n/a
Moniteau County	n/a	Yes	n/a
Monroe County	n/a	Yes	n/a

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Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
Montgomery County	n/a	—	n/a
Morgan County	n/a	Yes	n/a
New Madrid County	n/a	—	n/a
Newton County	n/a	—	n/a
Nodaway County	n/a	—	n/a
Oregon County	n/a	Yes	Yes
Osage County	n/a	—	n/a
Ozark County	n/a	—	n/a
Pemiscot County	n/a	—	n/a
Perry County	n/a	—	n/a
Pettis County	n/a	—	n/a
Phelps County	n/a	—	n/a
Pike County	n/a	—	n/a
Platte County	n/a	Yes	n/a
Polk County	n/a	Yes	n/a
Pulaski County	n/a	—	n/a
Putnam County	n/a	—	n/a
Ralls County	n/a	—	n/a
Randolph County	n/a	—	n/a
Ray County	n/a	—	n/a
Reynolds County	n/a	Yes	n/a
Ripley County	n/a	Yes	n/a
Saline County	n/a	—	n/a
Schuyler County	n/a	—	n/a
Scotland County	n/a	Yes	n/a
Scott County	n/a	—	n/a
Shannon County	n/a	—	n/a
Shelby County	n/a	Yes	n/a
St. Charles County	n/a	Yes	Yes
St. Clair County	n/a	—	n/a
St. Francois County	n/a	—	n/a
St. Louis County	n/a	Yes	Yes
Ste. Genevieve County	n/a	—	n/a
Stoddard County	n/a	—	n/a
Stone County	n/a	—	n/a
Sullivan County	n/a	—	n/a
Taney County	n/a	—	n/a
Texas County	n/a	—	n/a
Town of Allenville	No	—	Yes
Town of Carrollton	Yes	—	n/a

Appendix A

Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
Town of Charmwood	Yes	—	n/a
Town of Dutchtown	No	—	n/a
Town of Harrisburg	Yes	—	n/a
Town of Jane	No	—	n/a
Town of Lake Mykee	Yes	—	n/a
Town of Loma Linda	Yes	—	n/a
Town of McBaine	Yes	—	n/a
Town of Ridgely	Yes	—	n/a
Town of Unity Village	Yes	—	n/a
Town of Weldon Springs Heights	No	Yes	n/a
Vernon County	n/a	—	n/a
Village of Airport Drive	Yes	—	n/a
Village of Allendale	No	—	n/a
Village of Annada	Yes	—	n/a
Village of Arcola	Yes	—	n/a
Village of Argyle	No	—	n/a
Village of Avilla	Yes	Yes	n/a
Village of Bel Ridge	Yes	Yes	Yes
Village of Bellerive Acres	Yes	Yes	Yes
Village of Blythedale	No	—	n/a
Village of Brimson	No	—	n/a
Village of Cairo	Yes	—	n/a
Village of Caledonia	No	—	n/a
Village of Cedar Hill Lakes	No	—	n/a
Village of Chain O Lakes	Yes	—	n/a
Village of Champ	Yes	—	n/a
Village of Clyde	Yes	Yes	n/a
Village of Collins	Yes	—	n/a
Village of Cosby	Yes	—	n/a
Village of Country Club	No	Yes	Yes
Village of Country Life Acres	Yes	—	n/a
Village of Dadeville	No	—	n/a
Village of Deerfield	Yes	—	n/a
Village of DeKalb	No	—	n/a
Village of Denver	No	—	n/a
Village of Des Arc	No	—	n/a
Village of Dunlap	No	—	n/a
Village of Eagleville	No	—	n/a
Village of East Fenway	No	—	n/a
Village of Emerald Beach	Yes	—	n/a

Appendix A

Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
Village of Farley	Yes	—	n/a
Village of Ferrelview	No	—	No
Village of Fidelity	Yes	—	n/a
Village of Fortescue	No	—	n/a
Village of Foster	Yes	—	n/a
Village of Fountain 'N Lakes	No	—	n/a
Village of Four Seasons	Yes	Yes	Yes
Village of Freistatt	No	—	n/a
Village of Glenwood	No	—	n/a
Village of Guilford	Yes	—	n/a
Village of Gunn City	No	—	n/a
Village of Halfway	Yes	—	n/a
Village of Hoberg	No	—	n/a
Village of Holland	No	—	n/a
Village of Holliday	Yes	—	n/a
Village of Hughesville	Yes	—	n/a
Village of Humphreys	Yes	—	n/a
Village of Iatan	No	—	n/a
Village of Indian Point	No	—	n/a
Village of Jameson	No	—	n/a
Village of Junction City	No	—	n/a
Village of Kelso	Yes	Yes	n/a
Village of Lake Tekakwitha	No	—	n/a
Village of Lamar Heights	Yes	—	n/a
Village of Leasburg	No	—	Yes
Village of Leawood	No	—	n/a
Village of Longtown	No	—	n/a
Village of Ludlow	Yes	—	n/a
Village of Luray	Yes	—	n/a
Village of Mackenzie	Yes	—	No
Village of Marlborough	Yes	Yes	Yes
Village of Mill Spring	Yes	—	n/a
Village of Millard	Yes	—	n/a
Village of Milo	Yes	—	n/a
Village of Mineral Point	Yes	—	n/a
Village of Moundville	No	—	n/a
Village of Newark	No	—	n/a
Village of Newtonia	Yes	—	n/a
Village of Newtown	Yes	—	n/a
Village of Novelty	Yes	—	n/a

Appendix A

Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
Village of Oak Grove	No	—	n/a
Village of Osgood	No	—	n/a
Village of Parkdale	Yes	Yes	n/a
Village of Passaic	No	—	n/a
Village of Peaceful Village	No	—	n/a
Village of Pendleton	No	—	n/a
Village of Pendermon	No	—	n/a
Village of Phillipsburg	No	—	n/a
Village of Pickering	Yes	—	n/a
Village of Pinhook	No	—	n/a
Village of Plato	Yes	—	n/a
Village of Powersville	No	—	n/a
Village of Prathersville	Yes	—	n/a
Village of Preston	Yes	—	n/a
Village of Raymondville	No	—	n/a
Village of Rea	No	—	n/a
Village of Redings Mill	Yes	Yes	Yes
Village of Reeds	No	—	n/a
Village of Ritchey	Yes	Yes	n/a
Village of River Bend	No	—	No
Village of Riverview	Yes	—	No
Village of Riverview Estates	Yes	—	n/a
Village of Rives	No	—	n/a
Village of Roscoe	Yes	Yes	n/a
Village of Rosendale	Yes	—	n/a
Village of Rothville	Yes	—	n/a
Village of Rush Hill	Yes	—	Yes
Village of Rushville	Yes	—	n/a
Village of Saddlebrooke	Yes	Yes	n/a
Village of Sedgwickville	No	—	n/a
Village of Shoal Creek Drive	No	—	n/a
Village of Shoal Creek Estates	Yes	—	n/a
Village of Sibley	Yes	—	n/a
Village of Silex	No	—	n/a
Village of South Gifford	Yes	—	n/a
Village of South Greenfield	No	—	n/a
Village of South Lineville	No	Yes	Yes
Village of St. Elizabeth	Yes	—	n/a
Village of Stotesbury	No	—	n/a
Village of Stoutsville	No	—	n/a

Appendix A

Status of Counties, Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due June 30, 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
Village of Tallapoosa	No	—	n/a
Village of Taneyville	Yes	—	n/a
Village of Tightwad	No	—	n/a
Village of Tina	Yes	—	n/a
Village of Turney	No	—	n/a
Village of Tuscumbia	Yes	—	n/a
Village of Twin Oaks	Yes	Yes	n/a
Village of UMBER View Heights	No	—	n/a
Village of Utica	No	—	n/a
Village of Wardell	Yes	Yes	Yes
Village of Wardsville	No	—	n/a
Village of Watson	Yes	—	n/a
Village of West Line	Yes	—	n/a
Village of Westwood	No	—	No
Village of Whiteside	Yes	—	n/a
Village of Windsor Place	No	—	n/a
Village of Winston	Yes	—	n/a
Village of Worth	No	—	n/a
Village of Worthington	Yes	Yes	n/a
Warren County	n/a	—	n/a
Washington County	n/a	—	n/a
Wayne County	n/a	—	n/a
Webster County	n/a	—	n/a
Worth County	n/a	Yes	n/a
Wright County	n/a	Yes	n/a
Total Filed	209	142	112
Total Not Filed	182		52
Total N/A	114		341

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

n/a Counties are not required to file an annual financial report under 105.145, RSMo.
Entities without a municipal judge are not required to file a certification.

Appendix B

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due April 30, 2016

Filed in June 2016

Fiscal Year Ended October 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of De Soto	**	—	Yes
City of Jefferson City	**	**	Yes
Total Filed	0	0	2

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by April 30, 2016.

Appendix C

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due March 31, 2016

Filed in June 2016

Fiscal Year Ended September 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Excelsior Springs	**	—	Yes
City of Exeter	Yes	—	No
City of Weldon Spring	No	Yes	Yes
Total Filed	1	1	2

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by March 31, 2016

Appendix D
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in June 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*^	Filed Certification^
Fiscal Year Ended March 31, 2015			
Village of Arrow Rock	**	Yes ¹	n/a
Fiscal Year Ended April 30, 2015			
City of Risco	***	***	Yes
Fiscal Year Ended June 30, 2015			
City of Lathrop	***	***	Yes
City of Mountain View	Yes	***	***
City of New London	Yes	—	n/a
City of Steelville	***	***	Yes
Total Filed	2	1	3

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

^ 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the SAO addendum and certification forms by cities, towns, or villages with a fiscal year end before August 28, 2015.

** Filed by December 31, 2015.

*** Filed after December 31, 2015, but before June 1, 2016.

n/a Entities without a municipal judge are not required to file a certification.

1 The percent was calculated and presented in the financial report or separate document (not the SAO addendum form) or the entity indicated no court revenues were received.



Office of Missouri State Auditor
Nicole Galloway, CPA

Vernon County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Vernon County

Sheriff's Controls and Procedures	The Sheriff's office does not adequately pursue collection of or track amounts due for prisoner board bills or civil process fees and mileage. Outstanding board bill invoices totaled \$30,800 as of March 2016, including one bill totaling \$24,990 due from a neighboring county. Additionally, the office does not maintain a complete summary control log documenting all seized property on hand and has not conducted a physical inventory of all seized property. The office also does not prepare monthly lists of liabilities for the evidence and commissary bank accounts.
Electronic Data Security	As noted in a previous audit, multiple county offices lack adequate password controls to reduce the risk of unauthorized access to computers and data. Most county offices also do not have security controls in place to ensure computers lock after a specified number of incorrect logon attempts or after a certain period of inactivity. In the Sheriff's office, backup data is not tested periodically and is not stored at an off-site location.
Administrative Service Fee Transfers	The county made transfers exceeding allowed amounts by \$52,185 for administrative service fees from the Special Road and Bridge Fund to the General Revenue Fund.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Vernon County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Vernon County

We have audited certain operations of Vernon County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, has been engaged to audit the financial statements of Vernon County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

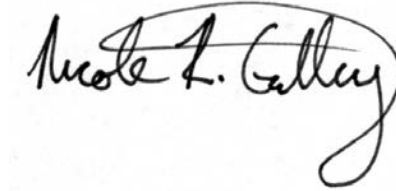
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with a legal provision, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Vernon County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly distinguishable. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Nancy McDowell
	Hunter O'Donnell, M.Acct.

Vernon County

Management Advisory Report

State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected approximately \$1.3 million in civil and criminal process fees, bonds, prisoner board, and other miscellaneous fees during the year ended December 31, 2015.

1.1 Accrued costs

The Sheriff's office does not adequately pursue collection of or track amounts due to the office for prisoner board bills or civil process fees and mileage. The Sheriff's office bills other entities for boarding prisoners and also bills civil process fees and mileage (for serving subpoenas or other papers), but does not adequately follow-up to ensure all payments are received.

Prisoner board bills are tracked by keeping copies of outstanding invoices in a file folder in the office. However, it is unclear if all outstanding board bill invoices are included in this folder since Sheriff's office personnel indicated the invoices in the folder are not reviewed to ensure accuracy and completeness. Outstanding board bill invoices in the folder totaled \$30,800 as of March 2016. One of these invoices dated April 3, 2014, totaled \$24,990 and was due from a neighboring county. After we discussed this issue with the Office Manager, she contacted the county and was told the invoice had not been received and it would be paid if resent. The Office Manager indicated the office does not maintain a list of civil process fees billed, collected, or owed, or otherwise track billed amounts to ensure payment is received.

Adequate procedures to bill and collect board of prisoner costs and civil process fees and mileage are necessary to ensure amounts owed are collected. Proper records and follow-up procedures are also necessary to safeguard against possible theft or misuse of funds going undetected.

1.2 Seized property

The Sheriff's office does not maintain a complete summary control log documenting all seized property on hand. In addition, the Sheriff's office has not conducted a physical inventory of all seized property.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the items. Summary inventory records of all seized property items, including information such as description, current location, case number, date of seizure, and disposition of such property, along with the performance of periodic physical inventories, are necessary to ensure items are accounted for properly.

1.3 Liabilities

The Sheriff's office does not prepare monthly lists of liabilities for the evidence and commissary accounts, and consequently, liabilities are not compared to the reconciled bank balance for these accounts.



Vernon County
Management Advisory Report - State Auditor's Findings

At our request, the Office Manager prepared a list of liabilities totaling \$85,462 for the evidence account at December 31, 2015, which agreed to the reconciled bank balance at that date. However, the Office Manager was unable to prepare a list of liabilities from the commissary account for December 31, 2015. The reconciled bank balance for the commissary account at December 31, 2015, was \$15,685.

Monthly lists of liabilities should be prepared and reconciled to the available cash balances to ensure records are in balance, errors are detected and corrected timely, and sufficient funds are available for payment of all liabilities. Any differences should be promptly investigated and resolved, and any unidentified monies should be disposed of in accordance with state law.

Recommendations

The Sheriff:

- 1.1 Implement procedures to track and pursue collection of amounts owed for board of prisoners and civil process fees and mileage.
- 1.2 Ensure a complete seized property inventory control log is maintained and a periodic physical inventory is conducted and reconciled to the log.
- 1.3 Ensure monthly lists of liabilities are prepared and reconciled to the cash balances monthly. Any differences should be promptly investigated and resolved. Any unidentified monies should be disposed of in accordance with state law.

Auditee's Response

- 1.1 *We have implemented this recommendation.*
- 1.2 *The vast majority of the evidence is in our current system, but we have some evidence that pre-dates our system. We will perform an inventory of the older evidence items to add them to the current system. We will perform a periodic inventory and compare it to the system once we have a complete evidence list.*
- 1.3 *We will implement this recommendation.*

2. Electronic Data Security

2.1 Passwords

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

The County Collector-Treasurer, County Assessor, Prosecuting Attorney, Public Administrator, Recorder of Deeds, and Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change



Vernon County Management Advisory Report - State Auditor's Findings

passwords periodically to help ensure passwords remain known only to the assigned user. In addition, passwords used in the offices of the County Collector-Treasurer, County Assessor, and Recorder of Deeds are known by other employees and not kept confidential, which increases the risk of a compromised password.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed by employees and some passwords are known by other employees, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique, confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

A similar condition was noted in our prior audit report.

2.2 Security controls

Security controls are not in place to lock computers in most county offices after a specified number of incorrect logon attempts or after a certain period of inactivity. Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

2.3 Backup data

The Sheriff does not perform periodic testing of backup data and does not store backups at an off-site location. Failure to store computer backup data at a secure off-site location results in the data being susceptible to the same damage as the data on the computer.

To help prevent loss of information and ensure essential information and computer systems can be recovered, backups should be tested on a periodic basis and stored at a secure off-site location.

Recommendations

The County Commission:

- 2.1 Work with other county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.



Vernon County
Management Advisory Report - State Auditor's Findings

- 2.2 Work with other county officials to require each county computer to have security controls in place to lock computers after a specified number of incorrect logon attempts or after a certain period of inactivity.
- 2.3 Ensure backup data is tested on a regular, predefined basis, and stored in a secure off-site location.

Auditee's Response

The County Commission will periodically send reminder emails to all county elected officials to reiterate the recommended proper data security controls. We will strive to do this quarterly. All elected officials will relay the message to the employees in their respective offices.

3. Administrative Service Fee Transfers

Administrative service fee transfers from the Special Road and Bridge (SRB) Fund to the General Revenue (GR) Fund were excessive. During the years ended December 31, 2015, and 2014, the county budgeted and made administrative service fee transfers of \$106,462 and \$118,998, respectively, from the SRB Fund to the GR Fund.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the SRB Fund. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the GR Fund for related administrative services to the SRB Fund, and shall not exceed 5 percent of the SRB Fund budget.

Although the administrative service fee transfers were less than 5 percent of SRB Fund budgeted disbursements, the transfers exceeded 5 percent of actual disbursements for the years ended December 31, 2015, and 2014, by a total of \$52,185. This situation resulted from budgeted bridge construction that was not completed.

Recommendation

The County Commission base administrative service fee transfers on actual or reasonable budgeted disbursements of the Special Road and Bridge Fund. In addition, the County Commission should transfer \$52,185 from the General Revenue Fund to the Special Road and Bridge Fund for repayment of excessive transfers.

Auditee's Response

We will review actual disbursements in the 4th quarter to ensure transfer amounts are based on actual incurred expenses, not budgeted amounts. In future years' budgets, we will consider the prior year's actual disbursements when determining current year's budgeted transfer amounts. We will attempt to repay the \$52,185 to the Special Road and Bridge Fund as our future budgets allow.

Vernon County

Organization and Statistical Information

Vernon County is a township-organized, third-class county. The county seat is Nevada.

Vernon County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 74 full-time employees (including elected officials) and 6 part-time employees on December 31, 2015. The townships maintain county roads.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Joe Hardin, Presiding Commissioner	\$	32,758
Neal F. Gerster, Associate Commissioner		30,528
Everett Wolfe, Associate Commissioner		30,528
Doug Shupe, Recorder of Deeds		46,255
Sean M. Buehler, County Clerk		46,255
Brandi McInroy, Prosecuting Attorney		135,059
Jason M. Mosher, Sheriff		51,271
David L. Ferry, County Coroner		15,604
Tammy Bond, Public Administrator		46,255
Phil Couch, County Collector-Treasurer (1), year ended March 31,	69,746	
Cherie K. Roberts, County Assessor (2), year ended August 31,		48,187
County Surveyor (3)		

(1) Includes \$23,209 of commissions earned for collecting city property taxes.

(2) Includes \$2,400 received from the City of Nevada for assessment of property within the city.

(3) Vacant during 2015. Compensation for the position is on a fee basis.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Bates County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Bates County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, LLC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

August 2016
Report No. 2016-049

ANNUAL FINANCIAL REPORT

BATES COUNTY, MISSOURI

For the Years Ended
December 31, 2015 and 2014

BATES COUNTY, MISSOURI

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INTRODUCTORY SECTION

BATES COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Jim Wheatley

Associate Commissioner – Jim Scott

Associate Commissioner – Larry Hacker

Other Elected Officials

Assessor – Roger Pruden

Circuit Clerk – Diana Rich

Collector/Treasurer – James Platt

Coroner – Gary Schowengerdt

County Clerk – Marlene Wainscott

Prosecuting Attorney – Hugh Jenkins

Public Administrator – Sharon Cumpton

Recorder – Lucille Munday

Sheriff – Chad Anderson

FINANCIAL SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Bates County, Missouri

We have audited the accompanying financial statements of Bates County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as identified in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Bates County, Missouri on the basis of the financial reporting provisions prescribed or permitted by Missouri Law, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Bates County, Missouri, as of December 31, 2015 and 2014, or changes in financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of each fund of Bates County, Missouri, as of December 31, 2015 and 2014, and their respective cash receipts and disbursements, and budgetary results for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bates County, Missouri’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated July 13, 2016, on our consideration of Bates County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 13, 2016

BATES COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2014 AND 2015

Fund	Cash and Investments			Cash and Investments			Cash and Investments	
	January 1, 2014	Receipts 2014	Disbursements 2014	December 31, 2014	Receipts 2015	Disbursements 2015	December 31, 2015	
General Revenue	\$ 990,439	\$ 1,127,184	\$ 1,150,589	\$ 967,034	\$ 1,244,281	\$ 1,111,513	\$ 1,099,802	
Special Road & Bridge	427,114	1,521,822	1,461,683	487,253	1,074,775	985,383	576,645	
Assessment	167,874	221,631	230,544	158,961	248,823	234,582	173,202	
Law Enforcement Sales Tax	208,543	3,314,702	3,252,603	270,642	3,068,232	3,062,907	275,967	
Recorder's Users	15,711	8,092	11,407	12,396	5,366	9,926	7,836	
Prosecuting Attorney Training	5,729	1,105	1,942	4,892	1,041	-	5,933	
Law Officer's Training	2,804	6,500	6,199	3,105	6,039	7,190	1,954	
Families in Crisis	406	729	706	429	611	832	208	
Local Emergency Planning Committee	7,087	508	1,013	6,582	5	2,751	3,836	
Sheriff's Civil Fees	46,592	45,655	41,524	50,723	18,738	28,216	41,245	
Sheriff's Revolving	18,063	16,640	16,523	18,180	17,823	17,270	18,733	
Election Services	44,547	5,985	4,149	46,383	5,688	9,255	42,816	
Recorder's Technology	19,047	8,210	11,839	15,418	8,961	-	24,379	
Jail Bond	915,356	648,466	439,114	1,124,708	660,135	440,297	1,344,546	
Tax Maintenance	68,598	25,064	15,931	77,731	25,288	18,169	84,850	
Prosecuting Attorney	2,446	507	-	2,953	317	-	3,270	
Deputy Wage Supplement	570	5,839	5,524	885	5,490	5,475	900	
C.S.I.	1,433	-	-	1,433	-	791	642	
Local Solicitation	102	-	-	102	-	-	102	
JAG	262	61,777	47,365	14,674	8	6,000	8,682	
Inmate Security	8,656	13,076	-	21,732	12,574	6,825	27,481	
Senate Bill 40	37,716	149,050	150,664	36,102	161,460	164,663	32,899	
Prosecuting Attorney Bad Check	318	-	-	318	-	-	318	
DEA Forfeiture	-	-	-	-	-	-	-	
SEMA	-	-	-	-	-	396	(396)	
Senior Services	-	-	-	-	-	-	-	
Total	<u>\$ 2,989,413</u>	<u>\$ 7,182,542</u>	<u>\$ 6,849,319</u>	<u>\$ 3,322,636</u>	<u>\$ 6,565,655</u>	<u>\$ 6,112,441</u>	<u>\$ 3,775,850</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND Year Ended December 31,				
	2014		2015	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 526,000	\$ 543,662	\$ 532,000	\$ 593,246
Sales taxes	-	53	-	4
Intergovernmental	53,750	50,046	65,700	64,973
Charges for services	486,350	482,201	473,000	514,762
Interest	4,800	1,486	1,500	1,551
Other	43,125	49,736	49,650	69,745
Transfers in	-	-	-	-
Total Receipts	<u>\$ 1,114,025</u>	<u>\$ 1,127,184</u>	<u>\$ 1,121,850</u>	<u>\$ 1,244,281</u>
DISBURSEMENTS				
County Commission	\$ 136,480	\$ 127,954	\$ 125,170	\$ 120,549
County Clerk	91,150	82,915	93,200	84,670
Elections	192,000	126,823	100,500	81,992
Buildings and grounds	301,000	136,340	306,950	190,443
Employee fringe benefits	120,000	94,393	124,000	97,471
Treasurer	165,300	129,116	175,800	132,684
Recorder of Deeds	100,775	93,706	105,975	96,223
Circuit Court	27,700	13,420	28,050	7,975
Court administration	36,861	11,115	35,858	12,640
Public Administrator	79,730	63,505	79,890	67,572
Emergency Management	92,650	61,477	83,670	57,545
Other County Government	233,863	204,825	226,143	161,749
Public Health/Welfare	5,000	5,000	5,000	-
Emergency fund	25,000	-	25,000	-
Total Disbursements	<u>\$ 1,607,509</u>	<u>\$ 1,150,589</u>	<u>\$ 1,515,206</u>	<u>\$ 1,111,513</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (493,484)	\$ (23,405)	\$ (393,356)	\$ 132,768
CASH AND INVESTMENTS, JANUARY 1	<u>990,439</u>	<u>990,439</u>	<u>967,034</u>	<u>967,034</u>
CASH AND INVESTMENTS, DECEMBER 31	<u><u>\$ 496,955</u></u>	<u><u>\$ 967,034</u></u>	<u><u>\$ 573,678</u></u>	<u><u>\$ 1,099,802</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD & BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 55,000	\$ 58,154	\$ 56,000	\$ 62,906	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,346,500	1,408,957	1,416,500	985,512	214,787	211,929	232,902	234,865
Charges for services	-	-	-	-	4,000	3,397	3,500	3,207
Interest	2,000	618	700	769	870	260	260	270
Other	60,700	54,093	15,200	25,588	7,550	6,045	7,100	10,481
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,464,200</u>	<u>\$ 1,521,822</u>	<u>\$ 1,488,400</u>	<u>\$ 1,074,775</u>	<u>\$ 227,207</u>	<u>\$ 221,631</u>	<u>\$ 243,762</u>	<u>\$ 248,823</u>
DISBURSEMENTS								
Salaries	\$ 261,832	\$ 262,662	\$ 276,380	269,192	\$ 161,750	\$ 157,002	\$ 168,700	\$ 158,350
Employee fringe benefits	67,730	67,593	69,000	80,098	47,150	38,524	47,400	42,130
Materials and supplies	252,500	149,888	175,500	144,498	15,000	14,327	15,000	15,220
Services and other	216,650	97,152	142,700	129,908	24,450	19,072	24,700	18,882
Capital outlay	151,000	94,773	136,200	42,939	5,000	1,619	4,500	-
Construction	760,000	789,615	790,000	318,748	-	-	-	-
Transfers out	-	-	50,000	-	-	-	-	-
Total Disbursements	<u>\$ 1,709,712</u>	<u>\$ 1,461,683</u>	<u>\$ 1,639,780</u>	<u>\$ 985,383</u>	<u>\$ 253,350</u>	<u>\$ 230,544</u>	<u>\$ 260,300</u>	<u>\$ 234,582</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (245,512)	\$ 60,139	\$ (151,380)	\$ 89,392	\$ (26,143)	\$ (8,913)	\$ (16,538)	\$ 14,241
CASH AND INVESTMENTS, JANUARY 1	<u>427,114</u>	<u>427,114</u>	<u>487,253</u>	<u>487,253</u>	<u>167,874</u>	<u>167,874</u>	<u>158,961</u>	<u>158,961</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 181,602</u>	<u>\$ 487,253</u>	<u>\$ 335,873</u>	<u>\$ 576,645</u>	<u>\$ 141,731</u>	<u>\$ 158,961</u>	<u>\$ 142,423</u>	<u>\$ 173,202</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				RECORDER'S USERS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	780,000	1,019,566	1,000,000	805,185	-	-	-	-
Intergovernmental	222,600	142,235	181,000	122,280	-	-	-	-
Charges for services	2,136,175	2,016,257	2,077,650	1,965,238	7,000	8,077	8,000	5,357
Interest	2,000	399	1,000	285	-	15	-	9
Other	180,750	136,245	167,500	175,244	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,321,525</u>	<u>\$ 3,314,702</u>	<u>\$ 3,427,150</u>	<u>\$ 3,068,232</u>	<u>\$ 7,000</u>	<u>\$ 8,092</u>	<u>\$ 8,000</u>	<u>\$ 5,366</u>
DISBURSEMENTS								
Salaries	\$ 1,555,577	\$ 1,520,489	\$ 1,601,285	\$ 1,502,527	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	392,250	379,091	403,200	405,638	-	-	-	-
Materials and supplies	424,990	438,561	445,460	381,779	-	-	1,000	-
Services and other	724,343	679,330	785,210	616,400	11,000	9,457	12,000	9,926
Capital outlay	340,200	235,132	278,375	156,563	11,000	1,950	6,000	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,437,360</u>	<u>\$ 3,252,603</u>	<u>\$ 3,513,530</u>	<u>\$ 3,062,907</u>	<u>\$ 22,000</u>	<u>\$ 11,407</u>	<u>\$ 19,000</u>	<u>\$ 9,926</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (115,835)	\$ 62,099	\$ (86,380)	\$ 5,325	\$ (15,000)	\$ (3,315)	\$ (11,000)	\$ (4,560)
CASH AND INVESTMENTS, JANUARY 1	<u>208,543</u>	<u>208,543</u>	<u>270,642</u>	<u>270,642</u>	<u>15,711</u>	<u>15,711</u>	<u>12,396</u>	<u>12,396</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 92,708</u>	<u>\$ 270,642</u>	<u>\$ 184,262</u>	<u>\$ 275,967</u>	<u>\$ 711</u>	<u>\$ 12,396</u>	<u>\$ 1,396</u>	<u>\$ 7,836</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				LAW OFFICER'S TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,500	2,162	2,000	1,951
Charges for services	1,000	1,101	1,100	1,036	4,200	4,337	4,300	4,088
Interest	-	4	4	5	-	1	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 1,000	\$ 1,105	\$ 1,104	\$ 1,041	\$ 5,700	\$ 6,500	\$ 6,300	\$ 6,039
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	100	-	100	-	3,000	4,037	6,000	3,129
Services and other	1,000	1,942	2,200	-	2,000	2,162	2,000	4,061
Capital outlay	200	-	200	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 1,300	\$ 1,942	\$ 2,500	\$ -	\$ 5,000	\$ 6,199	\$ 8,000	\$ 7,190
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (300)	\$ (837)	\$ (1,396)	\$ 1,041	\$ 700	\$ 301	\$ (1,700)	\$ (1,151)
CASH AND INVESTMENTS, JANUARY 1	5,729	5,729	4,892	4,892	2,804	2,804	3,105	3,105
CASH AND INVESTMENTS, DECEMBER 31	\$ 5,429	\$ 4,892	\$ 3,496	\$ 5,933	\$ 3,504	\$ 3,105	\$ 1,405	\$ 1,954

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BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	FAMILIES IN CRISIS FUND				LOCAL EMERGENCY PLANNING COMMITTEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	675	729	700	611	-	500	3,000	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	8	-	5
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 675</u>	<u>\$ 729</u>	<u>\$ 700</u>	<u>\$ 611</u>	<u>\$ -</u>	<u>\$ 508</u>	<u>\$ 3,000</u>	<u>\$ 5</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	650	706	750	832	7,000	1,013	7,000	2,751
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 650</u>	<u>\$ 706</u>	<u>\$ 750</u>	<u>\$ 832</u>	<u>\$ 7,000</u>	<u>\$ 1,013</u>	<u>\$ 7,000</u>	<u>\$ 2,751</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 25	\$ 23	\$ (50)	\$ (221)	\$ (7,000)	\$ (505)	\$ (4,000)	\$ (2,746)
CASH AND INVESTMENTS, JANUARY 1	<u>406</u>	<u>406</u>	<u>429</u>	<u>429</u>	<u>7,087</u>	<u>7,087</u>	<u>6,582</u>	<u>6,582</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 431</u>	<u>\$ 429</u>	<u>\$ 379</u>	<u>\$ 208</u>	<u>\$ 87</u>	<u>\$ 6,582</u>	<u>\$ 2,582</u>	<u>\$ 3,836</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S CIVIL FEES FUND				SHERIFF'S REVOLVING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	40,000	45,601	46,000	18,696	20,000	16,620	20,000	17,801
Charges for services	-	-	-	-	-	-	-	-
Interest	100	54	60	42	45	20	45	22
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 40,100</u>	<u>\$ 45,655</u>	<u>\$ 46,060</u>	<u>\$ 18,738</u>	<u>\$ 20,045</u>	<u>\$ 16,640</u>	<u>\$ 20,045</u>	<u>\$ 17,823</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	35,000	41,524	75,000	28,216	12,000	16,523	18,000	17,270
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 35,000</u>	<u>\$ 41,524</u>	<u>\$ 75,000</u>	<u>\$ 28,216</u>	<u>\$ 12,000</u>	<u>\$ 16,523</u>	<u>\$ 18,000</u>	<u>\$ 17,270</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 5,100	\$ 4,131	\$ (28,940)	\$ (9,478)	\$ 8,045	\$ 117	\$ 2,045	\$ 553
CASH AND INVESTMENTS, JANUARY 1	<u>46,592</u>	<u>46,592</u>	<u>50,723</u>	<u>50,723</u>	<u>18,063</u>	<u>18,063</u>	<u>18,180</u>	<u>18,180</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 51,692</u>	<u>\$ 50,723</u>	<u>\$ 21,783</u>	<u>\$ 41,245</u>	<u>\$ 26,108</u>	<u>\$ 18,180</u>	<u>\$ 20,225</u>	<u>\$ 18,733</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ELECTION SERVICES FUND				RECORDER'S TECHNOLOGY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	9,900	5,934	7,200	5,637	8,000	8,189	8,000	8,939
Charges for services	-	-	-	-	-	-	-	-
Interest	150	51	50	51	-	21	-	22
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 10,050</u>	<u>\$ 5,985</u>	<u>\$ 7,250</u>	<u>\$ 5,688</u>	<u>\$ 8,000</u>	<u>\$ 8,210</u>	<u>\$ 8,000</u>	<u>\$ 8,961</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	40,000	4,149	40,000	9,255	20,000	11,839	20,000	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 40,000</u>	<u>\$ 4,149</u>	<u>\$ 40,000</u>	<u>\$ 9,255</u>	<u>\$ 20,000</u>	<u>\$ 11,839</u>	<u>\$ 20,000</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (29,950)	\$ 1,836	\$ (32,750)	\$ (3,567)	\$ (12,000)	\$ (3,629)	\$ (12,000)	\$ 8,961
CASH AND INVESTMENTS, JANUARY 1	<u>44,547</u>	<u>44,547</u>	<u>46,383</u>	<u>46,383</u>	<u>19,047</u>	<u>19,047</u>	<u>15,418</u>	<u>15,418</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 14,597</u>	<u>\$ 46,383</u>	<u>\$ 13,633</u>	<u>\$ 42,816</u>	<u>\$ 7,047</u>	<u>\$ 15,418</u>	<u>\$ 3,418</u>	<u>\$ 24,379</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	JAIL BOND FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	580,000	647,110	600,000	656,092	23,000	24,977	25,000	25,191
Charges for services	-	-	-	-	-	-	-	-
Interest	-	64	-	86	250	87	100	97
Other	-	1,292	-	3,957	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 580,000</u>	<u>\$ 648,466</u>	<u>\$ 600,000</u>	<u>\$ 660,135</u>	<u>\$ 23,250</u>	<u>\$ 25,064</u>	<u>\$ 25,100</u>	<u>\$ 25,288</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	-	-	-	70,000	15,931	100,000	18,169
Capital outlay	580,000	439,114	600,000	440,297	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 580,000</u>	<u>\$ 439,114</u>	<u>\$ 600,000</u>	<u>\$ 440,297</u>	<u>\$ 70,000</u>	<u>\$ 15,931</u>	<u>\$ 100,000</u>	<u>\$ 18,169</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ 209,352	\$ -	\$ 219,838	\$ (46,750)	\$ 9,133	\$ (74,900)	\$ 7,119
CASH AND INVESTMENTS, JANUARY 1	<u>915,356</u>	<u>915,356</u>	<u>1,124,708</u>	<u>1,124,708</u>	<u>68,598</u>	<u>68,598</u>	<u>77,731</u>	<u>77,731</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 915,356</u>	<u>\$ 1,124,708</u>	<u>\$ 1,124,708</u>	<u>\$ 1,344,546</u>	<u>\$ 21,848</u>	<u>\$ 77,731</u>	<u>\$ 2,831</u>	<u>\$ 84,850</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY FUND				DEPUTY WAGE SUPPLEMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,300	485	480	317	6,000	5,839	6,000	5,490
Charges for services	-	-	-	-	-	-	-	-
Interest	14	22	20	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,314</u>	<u>\$ 507</u>	<u>\$ 500</u>	<u>\$ 317</u>	<u>\$ 6,000</u>	<u>\$ 5,839</u>	<u>\$ 6,000</u>	<u>\$ 5,490</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	4,200	-	3,400	-	6,000	5,524	5,500	5,475
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 4,200</u>	<u>\$ -</u>	<u>\$ 3,400</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 5,524</u>	<u>\$ 5,500</u>	<u>\$ 5,475</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (1,886)	\$ 507	\$ (2,900)	\$ 317	\$ -	\$ 315	\$ 500	\$ 15
CASH AND INVESTMENTS, JANUARY 1	<u>2,446</u>	<u>2,446</u>	<u>2,953</u>	<u>2,953</u>	<u>570</u>	<u>570</u>	<u>885</u>	<u>885</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 560</u>	<u>\$ 2,953</u>	<u>\$ 53</u>	<u>\$ 3,270</u>	<u>\$ 570</u>	<u>\$ 885</u>	<u>\$ 1,385</u>	<u>\$ 900</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	C.S.I. FUND				LOCAL SOLICITATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	-	-	791	102	-	102	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 791</u>	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ 102</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ (791)	\$ (102)	\$ -	\$ (102)	\$ -
CASH AND INVESTMENTS, JANUARY 1	<u>1,433</u>	<u>1,433</u>	<u>1,433</u>	<u>1,433</u>	<u>102</u>	<u>102</u>	<u>102</u>	<u>102</u>
CASH AND INVESTMENTS, DECEMBER 31	<u><u>\$ 1,433</u></u>	<u><u>\$ 1,433</u></u>	<u><u>\$ 1,433</u></u>	<u><u>\$ 642</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 102</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 102</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	JAG FUND				INMATE SECURITY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	130,000	61,776	-	-	7,500	13,074	13,000	12,553
Charges for services	-	-	-	-	-	-	-	-
Interest	-	1	-	8	-	2	-	21
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 130,000	\$ 61,777	\$ -	\$ 8	\$ 7,500	\$ 13,076	\$ 13,000	\$ 12,574
DISBURSEMENTS								
Salaries	\$ 70,000	\$ 25,243	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	18,007	4,480	-	-	-	-	-	-
Materials and supplies	21,000	4,932	-	-	-	-	-	-
Services and other	15,500	6,310	13,000	6,000	3,000	-	-	6,825
Capital outlay	2,000	6,400	-	-	5,000	-	28,000	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 126,507	\$ 47,365	\$ 13,000	\$ 6,000	\$ 8,000	\$ -	\$ 28,000	\$ 6,825
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3,493	\$ 14,412	\$ (13,000)	\$ (5,992)	\$ (500)	\$ 13,076	\$ (15,000)	\$ 5,749
CASH AND INVESTMENTS, JANUARY 1	262	262	14,674	14,674	8,656	8,656	21,732	21,732
CASH AND INVESTMENTS, DECEMBER 31	\$ 3,755	\$ 14,674	\$ 1,674	\$ 8,682	\$ 8,156	\$ 21,732	\$ 6,732	\$ 27,481

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SENATE BILL 40 FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 129,000	\$ 132,905	\$ 133,000	\$ 146,091	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	13,800	15,987	16,000	15,210	-	-	-	-
Interest	200	158	150	159	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 143,000</u>	<u>\$ 149,050</u>	<u>\$ 149,150</u>	<u>\$ 161,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	180,000	150,664	185,000	164,663	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 180,000</u>	<u>\$ 150,664</u>	<u>\$ 185,000</u>	<u>\$ 164,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (37,000)	\$ (1,614)	\$ (35,850)	\$ (3,203)	\$ -	\$ -	\$ -	\$ -
CASH AND INVESTMENTS, JANUARY 1	<u>37,716</u>	<u>37,716</u>	<u>36,102</u>	<u>36,102</u>	<u>-</u>	<u>318</u>	<u>-</u>	<u>318</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 716</u>	<u>\$ 36,102</u>	<u>\$ 252</u>	<u>\$ 32,899</u>	<u>\$ -</u>	<u>\$ 318</u>	<u>\$ -</u>	<u>\$ 318</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	DEA FORFEITURE FUND				SEMA FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	10,000	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	-	5,000	-	-	-	-	396
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 396</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ (396)
CASH AND INVESTMENTS, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (396)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SENIOR SERVICES FUND			
	Year Ended December 31,			
	2014		2015	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-
Materials and supplies	-	-	-	-
Services and other	-	-	-	-
Capital outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -
CASH AND INVESTMENTS, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND INVESTMENTS, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bates County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, Circuit Clerk, Collector/Treasurer, Coroner, County Clerk, Prosecuting Attorney, Public Administrator, Recorder, and Sheriff.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Bates County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the County's legal entity.

Certain elected County officials, particularly the Collector/Treasurer, Circuit Clerk and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they

are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the Prosecuting Attorney Bad Check Fund in 2014 and 2015 and for the SEMA Fund in 2015.

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2015</u>	<u>2014</u>
Prosecuting Attorney Training	N/A	X
Law Officer's Training	N/A	X
Families in Crisis	X	X
Sheriff's Civil Fees	N/A	X
Sheriff's Revolving	N/A	X
C.S.I.	X	N/A

Also, because a budget was not adopted for the SEMA Fund as noted in Note 1.D.9, expenditures in this fund exceeded budgetary authority to the extent that a budget was not adopted.

11. The Missouri State Constitution prohibits the approval of expenditures in excess of available monies which results in deficit fund balances. However, the SEMA Fund had a negative fund balance at December 31, 2015.

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property included within the County's boundaries for calendar years 2015 and 2014 were:

	<u>2015</u>	<u>2014</u>
Real Estate	\$134,378,693	\$143,580,454
Personal Property	48,742,205	47,461,515
Railroad and Utilities	34,477,606	20,515,325
Total	<u>\$ 217,598,504</u>	<u>\$ 211,557,294</u>

For calendar years 2015 and 2014, the County Commission approved tax levies per \$100 of assessed valuation of tangible taxable property as follows:

	<u>2015</u>	<u>2014</u>
General Revenue	0.2719	0.2727
Senate Bill 40	0.0698	0.0700
Senior Services	0.0005	-

In addition, the Special Road and Bridge Fund receives 5% of property tax amounts collected on behalf of township road districts within the county. The first payments on the new Senior Services property tax were due in December 2015 and were remitted to the County in January 2016.

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash deposits may include repurchase agreements and any other instruments with an original maturity of ninety days or less. Investments consist of instruments with an original maturity of greater than 90 days. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash and investment balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Investments" caption. Cash includes both deposits and cash equivalents. Cash equivalents are investments with original maturities less than three months.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, the carrying amounts of the County's deposits were \$3,775,850 and \$3,322,636, respectively, and the bank balances were \$4,090,935 and \$3,730,267, respectively. Of the bank balances, \$271,300 at December 31, 2015 and \$277,603 at December 31, 2014 were covered by federal depository insurance. The remainder of the balances at December 31, 2015 and 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2015 and 2014, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. Tax collections on deposit amounted to \$8,083,549 and \$8,814,820 at December 31, 2015 and 2014, respectively. The County Collector's deposits were covered by federal depository insurance of \$250,000 as of December 31, 2015 and 2014. The remainder of the balances as December 31, 2015 and 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-573-632-9203.

3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2015 and 2014, the County collected and remitted to CERF employee contributions and fees collected of \$169,850 and \$169,298, respectively, for the years then ended.

B. Prosecuting Attorney's Retirement Fund

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County contributed \$7,752 and \$8,857 for the years ended December 31, 2015 and 2014, respectively.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides all full-time employees who have been employed at least three months with forty-five days of sick time, to accrue at one day per calendar month of employment. Upon termination accumulated sick leave will not be reimbursed. Vacation time is accrued for all full time employees who have been employed at least three months, and accrues at the rate of ten days per year up to twenty-five days per year depending on the length of employment. Employees may not carry over vacation days from one year to the next. Any days accrued in excess of these are to be forfeited at the end of the year.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

7. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

8. LONG TERM DEBT

A. CERTIFICATES OF PARTICIPATION

The County originally entered into a lease purchase agreement with First Bank of Missouri on March 1, 2002. The terms of the agreement call for the County to lease the law enforcement and detention center to First Bank of Missouri, and for the bank to lease the law enforcement and detention center back to the County with lease payments equal to the amount due to retire the indebtedness. Certificates of Participation totaling \$5,590,000 were issued by First Bank of Missouri on behalf of the County and the proceeds of those certificates were used to construct the law enforcement and detention center. The lease was originally scheduled to be fully paid in 2017.

On August 25, 2010, L.J. Hart and Company acted as the underwriter to refinance the Bates County Series 2002 and Series 2003 certificates. At the time of the refinancing, the outstanding principal and interest due on the lease was \$3,870,000 and \$76,165, respectively. Trust funds on hand totaling \$1,395,881 were used to pay down the debt. The Series 2010 Lease Refunding Certificates of Participation totaled \$2,820,000. The Series 2010 certificates are scheduled to be fully paid in 2017.

At December 31, 2015, the outstanding remaining principal and interest due on the lease was \$860,000 and \$25,313, respectively. These Certificates of Participation are to be paid with the revenue generated from the capital improvement sales tax which was passed on November 6, 2001. Interest expense paid on the certificates is presented as debt service on the Jail Bond Fund financial statements, and amounted to \$29,343 and \$38,160 in fiscal years 2015 and 2014, respectively.

The County maintains proceeds from sales tax revenues in a financial institution pursuant to a trust agreement. The Jail Bond Fund balance of \$1,344,546 at December 31, 2015 was held in Federal Treasury Obligation funds and a certificate of deposit with an independent trustee.

B. CAPITAL LEASES

The County entered into a 60 month, \$110,085 capital lease for a John Deere Gator, a trailer and radio upgrades in October 2013. The County entered into a 36 month, \$200,000 capital lease for seven 2015 Ford Police Interceptor Utility Vehicles and one 2015 Chevrolet Tahoe. The schedule of remaining payments and interest on these three leases are listed below:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$93,279	\$6,026	\$99,305
2017	93,279	3,063	96,342

9. PRIOR PERIOD RESTATEMENT

The beginning balance of the Jail Bond Fund as of January 1, 2014 has been restated from the ending balance of December 31, 2013 in the County's prior audit report to include the balances of the investments maintained with an independent trustee described in Note 7. This change had the effect of increasing the January 1, 2014 Jail Bond Fund balance from \$0 to \$915,356.

9. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through July 13, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and
Officeholders of Bates County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bates County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Bates County, Missouri's basic financial statements and have issued our report thereon dated July 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bates County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bates County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Bates County, Missouri's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency as item 1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bates County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 2 through 4.

Bates County, Missouri's Response to Findings

Bates County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. Bates County, Missouri's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 13, 2016

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the County Commission and
Officeholders of Bates County, Missouri

Report on Compliance for Each Major Federal Program

We have audited Bates County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bates County, Missouri's major federal programs for the years ended December 31, 2015 and 2014. Bates County, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bates County, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bates County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bates County, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, Bates County, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2015 and 2014.

Report on Internal Control over Compliance

Management of Bates County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bates County, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bates County, Missouri's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-01 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Bates County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Bates County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 13, 2016

BATES COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2015	2014
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.228	Passed through Missouri Department of Economic Development: Community Development Block Grants/State's Program	N/A	\$ -	\$ -
	U.S. DEPARTMENT OF INTERIOR			
15.226	Payments in Lieu of Taxes		612	618
	U.S. DEPARTMENT OF JUSTICE			
16.738	Passed through Missouri Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	N/A	-	110,947
	U. S. DEPARTMENT OF TRANSPORTATION			
20.205	Passed through State Highway and Transportation Commission: Highway Planning and Construction	BRO-B007(17)	-	489,616
	U.S. ELECTION ASSISTANCE COMMISSION			
39.011	Passed through Missouri Office of Secretary of State: Election Reform Payments	N/A	-	420
90.401	Help America Vote Act Requirements Payments	N/A	1,997	3,055
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.563	Passed through Missouri Department of Social Services: Child Support Enforcement	N/A	146	359
	U. S. DEPARTMENT OF HOMELAND SECURITY			
97.042	Passed through Missouri Department of Public Safety: Emergency Management Performance Grants	N/A	23,394	23,289
	Total Expenditures of Federal Awards		<u>\$ 26,149</u>	<u>\$ 628,304</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

BATES COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditure of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2015 and 2014.

BATES COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

-Material weakness(es) identified? Yes X No

-Significant deficiency(ies) identified not
considered to be material weaknesses? X Yes None Reported

-Noncompliance material to financial
statements noted? X Yes No

Federal Awards:

Internal control over major programs:

-Material weakness(es) identified? X Yes No

-Significant deficiency(ies) identified not
considered to be material weaknesses? Yes X No

Type of auditors' report issued on
compliance for major programs: Unmodified

Any findings disclosed that are required
to be reported in accordance with
section 510(A) of Circular A-133? X Yes No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

20.205	Highway Planning and Construction
--------	-----------------------------------

Dollar Threshold Used to Distinguish Between
Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

1. Internal Controls Over Sheriff's Office Fiscal Processes
2. Deputy County Clerk's Salary Charged to Special Road & Bridge Fund
3. Budgetary Compliance
4. Absence of Investment Policy

Summary Schedule of Prior Audit Findings:

1. For the year ended December 31, 2013, expenditures exceeded those budgeted for the Law Officer's Training, Sheriff's Revolving, Jail Bond, and Prosecuting Attorney funds.
2. For the year ended December 31, 2012, expenditures exceeded those budgeted for the Jail Bond and Deputy Wage Supplement funds.
3. For the year ended December 31, 2012, the JAG Fund had a deficit balance.
4. Documentation of the County's internal controls had not been prepared.
5. No formal fraud risk assessments implemented.
6. Deputy County Clerk's salary paid out of the Special Road & Bridge Fund.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-01: Incorrect Schedule of Expenditures of Federal Awards (SEFA)

Federal Grantor: U.S. Department of Homeland Security
Pass through Grantor: Missouri Department of Public Safety
Federal CFDA Number: 97.042
Program Title: Emergency Management Performance Grants
Pass through Entity Identifying Numbers: N/A
Award Years: 2014 and 2015
Questioned Costs: None

Federal Grantor: U.S. Department of Justice
Pass through Grantor: Missouri Department of Public Safety
Federal CFDA Number: 16.738
Program Title: Edward Byrne Memorial Justice Assistance Grant Program
Pass through Entity Identifying Numbers: N/A
Award Years: 2014
Questioned Costs: None

Condition: The County Clerk was unable to demonstrate or provide documentation that the expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) reconcile to and are supported by the County expense ledgers for the following grants and respective fiscal years:

- CFDA 97.042 – Emergency Management Performance Grants (FY 2015 - \$23,394 and FY 2014 - \$23,289)
- CFDA 16.738 – Edward Byrne Memorial Justice Assistance Grant (FY 2014 - \$110,947)

In addition, the County did not report pass-through entity identifying numbers for any of the federal grants reported on the SEFA provided for audit, and documentation was not maintained to determine the numbers except for the grants under CFDA 20.205.

Failure to provide a reconciliation of the SEFA to the accounting records is a violation of Federal laws and regulations, specifically Office of Management and Budget Circular A-133, and can lead to sanctions, the requirement to return Federal funds, or a prohibition from receiving Federal funds in the future.

Cause: The County Clerk relies on office holders to provide the expenditures reported on the SEFA. The County Clerk does not ensure that those amounts reconcile into the County's expense ledgers.

Effect: Amounts reported on the SEFA by the County Clerk for the Emergency Management Performance Grant and Edward Byrne Memorial Justice Assistance Grant were not supported by the financial statements and pass-through entity identifying numbers were not reported.

Criteria: OMB Circular A-133 requires the auditee accurately prepare the Schedule of Expenditures of Federal Awards with all required information included. Part of the auditees responsibilities under OMB Circular A-133 are to, "Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received." Also, regarding the preparation of the SEFA, OMB Circular A-133 states that, "For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included."

Recommendation: We recommend that the County Commission and County Clerk develop and implement procedures to ensure that federal expenditures can be identified, accounted for and supported by the accounting ledgers and records and that all information required is reported on the SEFA.

Corrective Action Plan: The County Clerk compares reports from the entities and the general ledgers to prepare the SEFA. The County will continue to implement this procedure. The County Clerk will include the pass through entity identifying numbers on the SEFA.

Auditor's Evaluation: The response is appropriate to correct the concern.

SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SA13/12-01: The Schedule of Expenditures of Federal Awards contained errors.

Status – Repeated. See Finding 2015-01 above.

FINDINGS AND RECOMMENDATIONS

BATES COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Internal Controls Over Sheriff's Office Fiscal Processes

Condition: The Sheriff's administrative assistant performs substantially all of the fiscal processes in his office with review by the Sheriff. The administrative assistant is responsible for receiving monies collected by his office for various fees, recording the receipts in the receipt book, preparing the deposit slips and depositing the money. Separation of various aspects of a transaction is important to help prevent and detect misappropriation of funds.

Recommendation: We recommend that the duties of collecting, recording and controlling cash within the Sheriff's Office be properly segregated in order to provide a system of checks and balances over financial transactions.

County's Response: Because of budget constraints, the Sheriff's Office has only one Sheriff's Administrative Assistant. In the Budget year 2017 the Sheriff will ask the County Commissioners for additional funding to hire additional administrative staff to allow for segregation of duties. Until then, the Sheriff will personally continue to review the operation of the Administrative Assistant to ensure no misappropriation of funds.

Auditor's Evaluation: Sheriff oversight of the cash receipt process would be adequate to resolve the concern.

ITEMS OF NONCOMPLIANCE

2. Deputy County Clerk's Salary Charged to Special Road & Bridge Fund

Condition: Throughout the fiscal years ended December 31, 2015 and December 31, 2014, the salary for a Deputy County Clerk was paid in its entirety from the Special Road & Bridge Fund. While this clerk performs some tasks for the Road & Bridge Department, the County was unable to provide documentation that she expended 100% of her time on Road & Bridge Department activities, and her duties do not appear to warrant the 100% allocation of her salary to that fund when her other responsibilities performed as deputy county clerk are considered.

Recommendation: We recommend that the County implement procedures to determine an adequate level of administrative service fees to be charged to the Special Road & Bridge Fund and avoid duplicating these charges through the direct allocation of employee salaries.

County Response: According to the Missouri Revised Statutes 50.515 a county of the third class classification shall not exceed 5% of the total budget for an administrative service fee from the Special Road & Bridge Fund. The annual budget for the Special Road & Bridge Fund for 2016 is \$1,640,794. The 5% amount being \$82,039.70. The deputy clerk's salary in question for 2016 is \$32,800. This reflects an amount of \$49,239.70 that remains in the Special Road & Bridge Fund. The County Clerk's office provides administrative services for the Special Road & Bridge Fund in the form of HR, accounts payable, township paperwork, accounts receivable, and annual reporting. The County maintains that the salary of \$32,800 is an amount that recoups actual costs.

Auditor's Evaluation: Salaries should be allocated to the proper fund(s) based on analysis of an employee's time. The County may transfer an amount from the Special Road & Bridge Fund to counter these costs.

3. **Budgetary Compliance**

Condition: We noted three areas of noncompliance with State Statutes regarding the County's budgeting process during 2015 and 2014, as follows:

- a) Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the Prosecuting Attorney Bad Check Fund in 2014 and 2015 and for the SEMA Fund in fiscal year 2015.
- b) Actual expenditures exceeded budgeted expenditures for the following funds in 2015 and 2014 by more than an inconsequential amount:

	<u>2015</u>	<u>2014</u>
Prosecuting Attorney Training	N/A	X
Law Officer's Training	N/A	X
Families in Crisis	X	X
Sheriff's Civil Fees	N/A	X
Sheriff's Revolving	N/A	X
C.S.I.	X	N/A

Also, because a budget was not adopted for the SEMA Fund in fiscal year 2015, expenditures in this fund exceeded budgetary authority to the extent that a budget was not adopted.

State statutes prohibit the County from approving expenditures in excess of the authorized budgeted amount for any County fund. This requirement ensures that expenditures are subject to public scrutiny as provided by their inclusion in a budget adopted or amended at a public meeting.

- c) The County Commission approved expenditures in excess of available monies which resulted in a deficit fund balance for the SEMA Fund at December 31, 2015. Counties are not authorized to have deficit fund balances. Article VI, Section 26(a) of the Missouri Constitution states, "No county ...shall become indebted in an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years..."

Recommendation: We recommend the County Commission and County Clerk ensure compliance with State Statutes and the Missouri Constitution by adopting a formal budget for all funds, refraining from approving expenditures in excess of budgeted amounts and refraining from approving expenditures that create deficit fund balances. In the event that the originally adopted budget is inadequate to finance current year unforeseen expenditures, budgetary amendments should be discussed in a public meeting and formally adopted by the County Commission.

County Response: The Prosecuting Attorney Bad Check Fund is not budgeted due to the fact that the Prosecuting Attorney does not turn over monies to the County Treasurer. The County will make budgetary amendments to funds when unforeseen expenditures occur and will refrain from approving expenditures that will result in a deficit fund balance.

Auditor's Evaluation: The response is appropriate to correct the concern.

4. Absence of Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. An investment policy addresses topics such as collateralization of deposits, strategy with respect to investment of public funds, and other areas, and thus such a policy would be beneficial and also required for the County. Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually.

County Response: The County will adopt an investment policy and review compliance with this policy annually.

Auditor's Evaluation: The response is appropriate to correct the concern.

BATES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the status of the auditors' follow-up on action taken by Bates County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2013 and 2012.

1. For the year ended December 31, 2013, expenditures exceeded those budgeted for the Law Officer's Training, Sheriff's Revolving, Jail Bond, and Prosecuting Attorney funds.

Status – Not resolved. See Finding No. 3.

2. For the year ended December 31, 2012, expenditures exceeded those budgeted for the Jail Bond and Deputy Wage Supplement funds.

Status – Not resolved. See Finding No. 3.

3. For the year ended December 31, 2012, the JAG Fund had a deficit balance.

Status – Not resolved. See Finding No. 3.

4. The County did not have documented internal controls.

Status – Resolved.

5. The County did not have a formal fraud risk assessment in place.

Status – Resolved.

6. The Deputy County Clerk's salary was paid out of the Special Road and Bridge Fund while it was apparent the Deputy did not provide all of her time working within this special revenue fund. Though the General Revenue Fund is allowed to charge an administrative fee to the Special Road and Bridge Fund through a transfer, General Revenue Fund expenditures may not be reported within the Special Road and Bridge Fund

Status – Not resolved. See finding No. 2.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of McDonald County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of McDonald County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, LLC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

August 2016
Report No. 2016-050

ANNUAL FINANCIAL REPORT

MCDONALD COUNTY, MISSOURI

For the Years Ended
December 31, 2015 and 2014

MCDONALD COUNTY, MISSOURI

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INTRODUCTORY SECTION

MCDONALD COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Keith Lindquist

Eastern Commissioner – John Bunch

Western Commissioner – David Holloway

Other Elected Officials

Assessor – Laura Pope

Circuit Clerk – Jennifer Mikeska

Collector – Jennifer Weber

Coroner – William B.J. Goodwin III

County Clerk – Kimberly Bell

Prosecuting Attorney – Bill Dobbs

Public Administrator – Donna Underwood

Recorder – Kenny Underwood

Sheriff – Michael Hall

Treasurer – Joye Helm

FINANCIAL SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of McDonald County, Missouri

Report of Financial Statements

We have audited the accompanying financial statements of McDonald County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as identified in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by McDonald County, Missouri on the basis of the financial reporting provisions prescribed or permitted by Missouri Law, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of McDonald County, Missouri, as of December 31, 2015 and 2014, or changes in financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of each fund of McDonald County, Missouri, as of December 31, 2015 and 2014, and their respective cash receipts and disbursements, and budgetary results for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McDonald County, Missouri’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated July 1, 2016, on our consideration of McDonald County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 1, 2016

MCDONALD COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2014 AND 2015

Fund	Cash and Investments January 1, 2014	Receipts 2014	Disbursements 2014	Cash and Investments December 31, 2014	Receipts 2015	Disbursements 2015	Cash and Investments December 31, 2015
General Revenue	\$ 1,089,472	\$ 1,721,191	\$ 1,372,282	\$ 1,438,381	\$ 1,787,999	\$ 1,459,373	\$ 1,767,007
Special Road & Bridge	309,224	2,517,443	2,609,460	217,207	2,560,767	2,693,738	84,236
Assessment	453	308,473	299,486	9,440	255,455	264,064	831
Law Enforcement	256	1,930,855	1,888,638	42,473	1,887,670	1,930,143	-
Health Department	10,468	451,771	458,760	3,479	500,992	500,537	3,934
Law Enforcement Training	94	6,247	5,895	446	4,827	4,548	725
Prosecuting Attorney Training	1,052	897	778	1,171	828	527	1,472
Administrative Handling Service	31,264	16,840	38,385	9,719	14,386	16,832	7,273
Recorder's	16,154	11,168	4,999	22,323	10,917	3,331	29,909
Sheriff Civil	8,407	23,486	23,449	8,444	17,096	17,507	8,033
Senate Bill 665	734	655	178	1,211	324	19	1,516
Extradition and Transportation	40,547	39,957	21,772	58,732	24,322	45,456	37,598
Election Service	499	1,685	-	2,184	1,235	-	3,419
Collector's Tax Maintenance	51,073	32,032	32,294	50,811	33,399	14,663	69,547
Concealed Weapons	20,036	19,127	17,159	22,004	32,417	28,257	26,164
Inmate Security	2,510	7,248	3,270	6,488	6,472	4,954	8,006
Local Emergency Planning	3,199	-	-	3,199	-	-	3,199
Total	<u>\$ 1,585,442</u>	<u>\$ 7,089,075</u>	<u>\$ 6,776,805</u>	<u>\$ 1,897,712</u>	<u>\$ 7,139,106</u>	<u>\$ 6,983,949</u>	<u>\$ 2,052,869</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND				
Year Ended December 31,				
	2014		2015	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 3,165	\$ 3,165	\$ -	\$ -
Sales taxes	1,180,363	1,253,836	1,290,000	1,333,212
Intergovernmental	121,210	121,550	104,900	92,415
Charges for services	397,875	312,720	278,200	334,407
Interest	-	1,282	-	1,707
Other	13,319	28,638	13,000	26,258
Transfers in	670,392	-	-	-
Total Receipts	<u>\$ 2,386,324</u>	<u>\$ 1,721,191</u>	<u>\$ 1,686,100</u>	<u>\$ 1,787,999</u>
DISBURSEMENTS				
County Commission	\$ 93,590	\$ 92,803	\$ 97,890	\$ 93,192
County Clerk	131,952	126,712	133,927	121,315
Elections	191,777	152,947	104,777	86,830
Buildings and grounds	212,628	154,998	317,140	271,152
Employee fringe benefits	103,300	86,489	104,957	91,071
Treasurer	46,925	46,232	47,350	45,601
Collector	112,225	109,599	134,925	123,173
Recorder of Deeds	87,800	86,056	87,800	80,239
Public Administrator	75,768	72,429	72,643	73,028
Health / Welfare	13,165	9,887	14,360	12,061
Debt service	-	-	-	-
Other County Government	212,172	199,130	227,423	211,661
Transfers out	355,000	235,000	274,000	250,050
Emergency fund	670,392	-	52,000	-
Total Disbursements	<u>\$ 2,306,694</u>	<u>\$ 1,372,282</u>	<u>\$ 1,669,192</u>	<u>\$ 1,459,373</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ 79,630	\$ 348,909	\$ 16,908	\$ 328,626
CASH and INVESTMENTS, JANUARY 1	<u>1,089,472</u>	<u>1,089,472</u>	<u>1,438,381</u>	<u>1,438,381</u>
CASH and INVESTMENTS, DECEMBER 31	<u><u>\$ 1,169,102</u></u>	<u><u>\$ 1,438,381</u></u>	<u><u>\$ 1,455,289</u></u>	<u><u>\$ 1,767,007</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD & BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,180,363	1,253,830	1,290,000	1,333,207	-	-	-	-
Intergovernmental	1,330,000	1,254,220	1,384,955	1,151,534	195,125	194,666	196,607	198,327
Charges for services	15,000	9,393	19,500	11,642	-	-	-	-
Interest	-	-	-	224	-	-	-	-
Other	-	-	-	4,160	19,000	18,807	19,000	21,128
Transfers in	-	-	80,000	60,000	101,000	95,000	62,000	36,000
Total Receipts	<u>\$ 2,525,363</u>	<u>\$ 2,517,443</u>	<u>\$ 2,774,455</u>	<u>\$ 2,560,767</u>	<u>\$ 315,125</u>	<u>\$ 308,473</u>	<u>\$ 277,607</u>	<u>\$ 255,455</u>
DISBURSEMENTS								
Salaries	\$ 687,141	\$ 632,192	\$ 687,000	\$ 652,752	\$ 177,530	\$ 166,828	\$ 179,500	\$ 178,503
Employee fringe benefits	130,400	112,144	122,950	127,077	30,540	23,041	28,725	28,195
Materials and supplies	687,500	681,729	621,500	624,542	9,000	5,951	9,000	7,078
Services and Other	411,048	381,789	299,800	311,976	98,197	103,666	55,890	50,288
Capital outlay	75,000	79,186	215,000	215,339	-	-	-	-
Construction	663,000	722,420	1,045,394	762,052	-	-	-	-
Transfers out	75,000	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,729,089</u>	<u>\$ 2,609,460</u>	<u>\$ 2,991,644</u>	<u>\$ 2,693,738</u>	<u>\$ 315,267</u>	<u>\$ 299,486</u>	<u>\$ 273,115</u>	<u>\$ 264,064</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (203,726)	\$ (92,017)	\$ (217,189)	\$ (132,971)	\$ (142)	\$ 8,987	\$ 4,492	\$ (8,609)
CASH and INVESTMENTS, JANUARY 1	<u>309,224</u>	<u>309,224</u>	<u>217,207</u>	<u>217,207</u>	<u>453</u>	<u>453</u>	<u>9,440</u>	<u>9,440</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 105,498</u>	<u>\$ 217,207</u>	<u>\$ 18</u>	<u>\$ 84,236</u>	<u>\$ 311</u>	<u>\$ 9,440</u>	<u>\$ 13,932</u>	<u>\$ 831</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT FUND				HEALTH DEPARTMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,180,363	1,258,068	1,290,000	1,333,207	-	-	-	-
Intergovernmental	423,466	468,054	482,934	299,197	284,322	305,474	291,293	289,781
Charges for services	94,200	92,045	94,116	84,969	45,426	35,531	29,215	39,186
Interest	-	-	-	-	-	-	-	-
Other	7,200	12,688	6,101	55,747	70,447	70,766	126,241	125,025
Transfers in	214,000	100,000	105,000	114,550	40,000	40,000	47,000	47,000
Total Receipts	<u>\$ 1,919,229</u>	<u>\$ 1,930,855</u>	<u>\$ 1,978,151</u>	<u>\$ 1,887,670</u>	<u>\$ 440,195</u>	<u>\$ 451,771</u>	<u>\$ 493,749</u>	<u>\$ 500,992</u>
DISBURSEMENTS								
Salaries	\$ 1,162,550	\$ 1,219,668	\$ 1,301,083	\$ 1,265,236	\$ 335,178	\$ 268,143	\$ 328,404	\$ 276,177
Employee fringe benefits	177,299	165,545	160,400	191,192	51,219	40,073	50,635	49,307
Materials and supplies	110,100	102,500	111,900	100,326	51,126	139,656	104,876	165,718
Services and other	435,981	370,925	393,313	333,045	11,550	10,888	12,910	9,335
Capital outlay	30,000	30,000	42,750	40,344	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,915,930</u>	<u>\$ 1,888,638</u>	<u>\$ 2,009,446</u>	<u>\$ 1,930,143</u>	<u>\$ 449,073</u>	<u>\$ 458,760</u>	<u>\$ 496,825</u>	<u>\$ 500,537</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 3,299	\$ 42,217	\$ (31,295)	\$ (42,473)	\$ (8,878)	\$ (6,989)	\$ (3,076)	\$ 455
CASH and INVESTMENTS, JANUARY 1	<u>256</u>	<u>256</u>	<u>42,473</u>	<u>42,473</u>	<u>10,468</u>	<u>10,468</u>	<u>3,479</u>	<u>3,479</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 3,555</u>	<u>\$ 42,473</u>	<u>\$ 11,178</u>	<u>\$ -</u>	<u>\$ 1,590</u>	<u>\$ 3,479</u>	<u>\$ 403</u>	<u>\$ 3,934</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,800	1,706	1,700	1,600	1,000	897	900	828
Charges for services	3,500	4,541	3,400	3,227	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 5,300</u>	<u>\$ 6,247</u>	<u>\$ 5,100</u>	<u>\$ 4,827</u>	<u>\$ 1,000</u>	<u>\$ 897</u>	<u>\$ 900</u>	<u>\$ 828</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	5,000	5,895	5,000	4,548	1,000	778	900	527
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 5,000</u>	<u>\$ 5,895</u>	<u>\$ 5,000</u>	<u>\$ 4,548</u>	<u>\$ 1,000</u>	<u>\$ 778</u>	<u>\$ 900</u>	<u>\$ 527</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 300	\$ 352	\$ 100	\$ 279	\$ -	\$ 119	\$ -	\$ 301
CASH and INVESTMENTS, JANUARY 1	<u>94</u>	<u>94</u>	<u>446</u>	<u>446</u>	<u>1,052</u>	<u>1,052</u>	<u>1,171</u>	<u>1,171</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 394</u>	<u>\$ 446</u>	<u>\$ 546</u>	<u>\$ 725</u>	<u>\$ 1,052</u>	<u>\$ 1,171</u>	<u>\$ 1,171</u>	<u>\$ 1,472</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ADMINISTRATIVE HANDLING SERVICE FUND				RECORDER'S FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,800	1,612	1,600	1,664	-	-	-	-
Charges for services	23,000	14,877	16,700	12,715	11,000	11,168	11,000	10,900
Interest	-	-	-	7	-	-	-	17
Other	-	351	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 25,800</u>	<u>\$ 16,840</u>	<u>\$ 18,300</u>	<u>\$ 14,386</u>	<u>\$ 11,000</u>	<u>\$ 11,168</u>	<u>\$ 11,000</u>	<u>\$ 10,917</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	13,000	9,562	10,500	6,096	-	-	-	-
Services and other	25,000	28,823	17,500	10,736	5,000	4,999	5,000	3,331
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 38,000</u>	<u>\$ 38,385</u>	<u>\$ 28,000</u>	<u>\$ 16,832</u>	<u>\$ 5,000</u>	<u>\$ 4,999</u>	<u>\$ 5,000</u>	<u>\$ 3,331</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (12,200)	\$ (21,545)	\$ (9,700)	\$ (2,446)	\$ 6,000	\$ 6,169	\$ 6,000	\$ 7,586
CASH and INVESTMENTS, JANUARY 1	<u>31,264</u>	<u>31,264</u>	<u>9,719</u>	<u>9,719</u>	<u>16,154</u>	<u>16,154</u>	<u>22,323</u>	<u>22,323</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 19,064</u>	<u>\$ 9,719</u>	<u>\$ 19</u>	<u>\$ 7,273</u>	<u>\$ 22,154</u>	<u>\$ 22,323</u>	<u>\$ 28,323</u>	<u>\$ 29,909</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF CIVIL FUND				SENATE BILL 665 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	8,865	-	-	-	-	-	-
Charges for services	50,000	14,580	42,000	14,595	2,000	655	600	324
Interest	-	-	-	1	-	-	-	-
Other	-	41	-	2,500	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 50,000</u>	<u>\$ 23,486</u>	<u>\$ 42,000</u>	<u>\$ 17,096</u>	<u>\$ 2,000</u>	<u>\$ 655</u>	<u>\$ 600</u>	<u>\$ 324</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	25,000	20,401	30,000	17,442	-	-	-	-
Services and other	25,000	3,048	20,000	65	1,000	178	1,000	19
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	4,320	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 54,320</u>	<u>\$ 23,449</u>	<u>\$ 50,000</u>	<u>\$ 17,507</u>	<u>\$ 1,000</u>	<u>\$ 178</u>	<u>\$ 1,000</u>	<u>\$ 19</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (4,320)	\$ 37	\$ (8,000)	\$ (411)	\$ 1,000	\$ 477	\$ (400)	\$ 305
CASH and INVESTMENTS, JANUARY 1	<u>8,407</u>	<u>8,407</u>	<u>8,444</u>	<u>8,444</u>	<u>734</u>	<u>734</u>	<u>1,211</u>	<u>1,211</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 4,087</u>	<u>\$ 8,444</u>	<u>\$ 444</u>	<u>\$ 8,033</u>	<u>\$ 1,734</u>	<u>\$ 1,211</u>	<u>\$ 811</u>	<u>\$ 1,516</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	EXTRADITION AND TRANSPORTATION FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	35,000	39,957	30,000	24,322	5,000	1,685	600	1,235
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 35,000</u>	<u>\$ 39,957</u>	<u>\$ 30,000</u>	<u>\$ 24,322</u>	<u>\$ 5,000</u>	<u>\$ 1,685</u>	<u>\$ 600</u>	<u>\$ 1,235</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	10,000	6,772	10,000	850	5,000	-	600	-
Capital outlay	15,000	15,000	50,000	37,106	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	7,500	-	-	-	-
Total Disbursements	<u>\$ 25,000</u>	<u>\$ 21,772</u>	<u>\$ 60,000</u>	<u>\$ 45,456</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 10,000	\$ 18,185	\$ (30,000)	\$ (21,134)	\$ -	\$ 1,685	\$ -	\$ 1,235
CASH and INVESTMENTS, JANUARY 1	<u>40,547</u>	<u>40,547</u>	<u>58,732</u>	<u>58,732</u>	<u>499</u>	<u>499</u>	<u>2,184</u>	<u>2,184</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 50,547</u>	<u>\$ 58,732</u>	<u>\$ 28,732</u>	<u>\$ 37,598</u>	<u>\$ 499</u>	<u>\$ 2,184</u>	<u>\$ 2,184</u>	<u>\$ 3,419</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	COLLECTOR'S TAX MAINTENANCE FUND				CONCEALED WEAPONS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	25,000	31,612	30,000	33,352	20,000	19,127	19,000	32,417
Interest	-	-	-	47	-	-	-	-
Other	-	420	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 25,000</u>	<u>\$ 32,032</u>	<u>\$ 30,000</u>	<u>\$ 33,399</u>	<u>\$ 20,000</u>	<u>\$ 19,127</u>	<u>\$ 19,000</u>	<u>\$ 32,417</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	29,800	12,409	25,000	2,929	13,060	13,478	23,300	24,392
Services and other	23,200	19,885	10,800	11,734	3,681	3,681	3,700	3,865
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 53,000</u>	<u>\$ 32,294</u>	<u>\$ 35,800</u>	<u>\$ 14,663</u>	<u>\$ 16,741</u>	<u>\$ 17,159</u>	<u>\$ 27,000</u>	<u>\$ 28,257</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (28,000)	\$ (262)	\$ (5,800)	\$ 18,736	\$ 3,259	\$ 1,968	\$ (8,000)	\$ 4,160
CASH and INVESTMENTS, JANUARY 1	<u>51,073</u>	<u>51,073</u>	<u>50,811</u>	<u>50,811</u>	<u>20,036</u>	<u>20,036</u>	<u>22,004</u>	<u>22,004</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 23,073</u>	<u>\$ 50,811</u>	<u>\$ 45,011</u>	<u>\$ 69,547</u>	<u>\$ 23,295</u>	<u>\$ 22,004</u>	<u>\$ 14,004</u>	<u>\$ 26,164</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	INMATE SECURITY FUND				LOCAL EMERGENCY PLANNING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,700	5,521	4,000	4,840	-	-	-	-
Charges for services	1,650	1,727	1,500	1,632	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 4,350	\$ 7,248	\$ 5,500	\$ 6,472	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	3,500	3,270	5,000	4,954	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 3,500	\$ 3,270	\$ 5,000	\$ 4,954	\$ -	\$ -	\$ -	\$ -
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 850	\$ 3,978	\$ 500	\$ 1,518	\$ -	\$ -	\$ -	\$ -
CASH and INVESTMENTS, JANUARY 1	2,510	2,510	6,488	6,488	3,199	3,199	3,199	3,199
CASH and INVESTMENTS, DECEMBER 31	\$ 3,360	\$ 6,488	\$ 6,988	\$ 8,006	\$ 3,199	\$ 3,199	\$ 3,199	\$ 3,199

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McDonald County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, Circuit Clerk, Collector, County Clerk, Coroner, Prosecuting Attorney, Public Administrator, Recorder, Sheriff, and Treasurer.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of McDonald County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered to comprise the County's legal entity.

Certain elected County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable

or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2015</u>	<u>2014</u>
Health Department	X	X
Concealed Weapons	X	X
Law Enforcement Training	N/A	X
Administrative Handling Service	N/A	X

E. Cash and Investments

Cash and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. The cash and investment balances are detailed in Note 2.

F. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Investments" caption. Cash includes both deposits and short-term investments. Investments are considered short-term when original maturities are less than three months. Investments consist of certificates of deposit with maturities greater than 90 days.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, the carrying amounts of the County's deposits were \$2,052,869 and \$1,897,712, respectively, and the bank balances were \$2,296,814 and \$2,065,391, respectively. Of the bank balances, \$250,000 for both December 31, 2015 and December 31, 2014, were covered by federal depository insurance. The remainder of the balances at December 31, 2015 and December 31, 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2015 and 2014, the County Collector held, in addition to the cash and investments listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. Tax collections on deposit amounted to \$6,907,997 and \$3,963,394 at December 31, 2015 and 2014, respectively. Of the bank balances, \$250,000 for

both December 31, 2015 and December 31, 2014, were covered by federal depository insurance. The remainder of the balances at December 31, 2015 and December 31, 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 573-632-9203.

3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2015 and 2014, the County collected and remitted to CERF employee contributions of approximately \$189,782 and \$182,799, respectively, for the years then ended.

B. 401 (A) PENSION PLAN

Participation in the plan is mandatory for all employees who have worked over 1,000 hours in a calendar year. The County does not contribute to the plan. Plan participants contribute .7% of earnings to the plan.

C. DEFERRED 457 PENSION PLAN

Participation in the plan is voluntary for all full-time employees. Part-time employees are not eligible to participate in the plan. Plan participants can elect to contribute any whole percentage or dollar amount of their earnings to the plan. Fifty cents on the dollar is matched by CERF on the first 6% of an employee's contribution. The County does not contribute to the plan.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to thirty to sixty days of sick time, depending on length of employment, to accrue at three-fourths days per calendar month of employment. Upon termination accumulated sick leave will not be reimbursed. Vacation time is accrued for every full time employee, and accrues at the rate of zero days per year up to fifteen days per year depending on the length of employment. Employees with less than ten years of employment may carry over ten days and employees with at least ten years of employment may carry over fifteen vacation days from one year to the next. Any days accrued in excess of these are to be forfeited at the end of the year.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. LONG TERM DEBT

As of December 31, 2015, the County had no long term debt outstanding.

8. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through July 1, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the County Commission and
Officeholders of McDonald County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of McDonald County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise McDonald County, Missouri's basic financial statements and have issued our report thereon dated July 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McDonald County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McDonald County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of McDonald County, Missouri's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency as item 1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDonald County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 2.

McDonald County, Missouri's Response to Findings

McDonald County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. McDonald County, Missouri's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 1, 2016

McBRIDE, LOCK & ASSOCIATES, LLC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the County Commission and
Officeholders of McDonald County, Missouri

Report on Compliance for Each Major Federal Program

We have audited McDonald County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of McDonald County, Missouri's major federal programs for the years ended December 31, 2015 and 2014. McDonald County, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of McDonald County, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McDonald County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of McDonald County, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, McDonald County, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2015 and 2014.

Report on Internal Control over Compliance

Management of McDonald County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered McDonald County, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McDonald County, Missouri's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-1 to be a significant deficiency.

McDonald County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. McDonald County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 1, 2016

MCDONALD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2014	2015
U.S. DEPARTMENT OF AGRICULTURE				
	Passed through state:			
10.557	Department of Health and Senior Services - Special Supplemental Nutrition Program for Women, Infants and Children	ERS04513160	167,638	155,152
10.559	Summer Food Service Program for Children	n/a	540	540
10.923	Department of Natural Resources - Emergency Watershed Protection Program	68-6424-15-260 68-6424-15-261 68-6424-15-259 68-6424-15-258 Total	- - - - -	52,294 122,400 96,253 39,386 310,333
U.S. DEPARTMENT OF JUSTICE				
	Direct programs:			
16.575	Crime Victim Assistance	n/a	23,000	22,263
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through State Highway and Transportation Commission:			
20.205	Highway Planning and Construction:			
	Powell Bridge Construction	BRO-B060(7)	279,935	-
	Oscar Talley Bridge	BRO-B060(8)	-	44,002
ELECTION ASSISTANCE COMMISSION				
	Passed through the Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments	n/a	2,310	-
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state Department of Health and Senior Services -			
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance:	n/a	-	13,862
	CORE Participation Agreement	AOC10380326	54,145	61,577
93.994	Maternal and Child Health Services - Block Grants to the States	n/a	25,195	25,224
U. S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through State Department of Public Safety:			
97.036	Disaster Grants - Public Assistance (Presidentially-declared Disasters)	FEMA-4144-DR-MO	159,314	-
97.042	Emergency Management Performance Grants	n/a	22,757	24,674
Total Expenditures of Federal Awards			<u>\$ 734,834</u>	<u>\$ 657,627</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

MCDONALD COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2015 and 2014.

MCDONALD COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported
- Noncompliance material to financial statements noted? X Yes No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified not considered to be material weaknesses? X Yes None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unmodified

Any audit findings disclosed that are required to be Reported in accordance with section 510(A) of Circular A-133? X Yes No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.923	Emergency Watershed Protection Program

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: Yes X No

SECTION II – FINANCIAL STATEMENTS FINDINGS

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

1. Accounting for Investments
2. Budgetary Compliance

Summary Schedule of Prior Audit Findings:

1. Accounting for Transfers
2. Budgetary Compliance
3. Variances Between Budgets
4. Collector's Office Internal Controls
5. Collector's Bank Reconciliations

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-1: Incorrect Schedule of Expenditures of Federal Awards (SEFA)

Federal Grantor: U.S. Department of Transportation

Pass-through Grantor: Highway and Transportation Commission

Federal CFDA Number: 20.205

Program Title: Highway Planning and Construction

Pass-through Entity Identifying Number: BRO-B060(7), BRO-B060(8)

Award Years: 2014 and 2015

Questioned Costs: None

Federal Grantor: U.S. Department of Agriculture

Pass-through Grantor: Missouri Department of Health and Senior Services

Federal CFDA Number: 10.557

Program Title: Special Supplemental Nutrition Program for Women, Infants, and Children

Pass-through Entity Identifying Number: ERS04513160

Award Years: 2014 and 2015

Questioned Costs: None

Federal Grantor: U.S. Department of Agriculture

Pass-through Grantor: Missouri Department of Natural Resources

Federal CFDA Number: 10.923

Program Title: Emergency Watershed Protection Program

Pass-through Entity Identifying Number: 68-6424-15-258/259/260/261

Award Years: 2015

Questioned Costs: None

Federal Grantor: U.S. Department of Homeland Security
Pass-through Grantor: Missouri Department of Public Safety
Federal CFDA Number: 97.036
Program Title: Disaster Grants – Public Assistance (Presidentially-declared Disasters)
Pass-through Entity Identifying Number: FEMA-4144-DR-MO
Award Years: 2014
Questioned Costs: None

Condition: The County Clerk did not prepare an accurate Schedule of Expenditures of Federal Awards (SEFA) for the years ending December 31, 2014 and 2015. The 2015 and 2014 SEFA reported expenditures of \$9,308 and \$329,344, respectively, under Highway Planning and Construction, however, based on supporting documentation, expenditures were \$44,002 and \$279,935, respectively. In addition, amounts of WIC grant funds expended by the Health Department were incorrectly reported. The 2015 and 2014 SEFA reported expenditures of \$165,143 and \$161,148, respectively, however, based on supporting documentation, expenditures were \$155,152 and \$167,638, respectively. Furthermore, based on supporting documentation, \$310,333 of expenditures of Conservation Services funds from the Department of Natural Resources were not reported on the 2015 SEFA, and \$159,314 of FEMA Disaster Grants funds expended by the County were not reported on the 2014 SEFA.

Cause: The County did not maintain adequate documentation to support the amounts reported in the SEFA for all programs. Also, we discovered federal programs carried out by the County's Emergency Management department that the County Clerk was not aware were being funded by federal money and did not include on the SEFA.

Effect: The SEFA presented for audit did not accurately reflect the County's actual expenditures of federal awards for both the years ended December 31, 2015 and 2014.

Criteria: OMB Circular A-133, section .300(b) requires auditees to "Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs." Section .310(d) requires auditees to "Prepare appropriate financial statements, including the schedule of expenditures of Federal awards...."

Recommendation: We recommend that the County Clerk implement procedures to ensure that the federal expenditures incurred during the year are properly reported on the Schedule of Expenditures of Federal Awards.

Corrective Action Plan: Based on the finding and recommendation, McDonald County will make all necessary changes to rectify this issue

Auditor's Response: The response is appropriate to correct the concern.

SECTION IV – FOLLOW-UP ON PRIOR YEAR’S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-1. Incorrect Schedule of Expenditures of Federal Awards (SEFA)

The County Clerk did not prepare an accurate SEFA for the years ending December 31, 2012 and 2013. The 2012 SEFA reported expenditures of \$5,836 under Highway Planning and Construction, which could not be supported by reimbursable expenditures of grant funds. In addition, amounts of WIC grant funds expended by the Health Department were incorrectly reported in both 2012 and 2013. The SEFA indicated expenditures for both years as \$167,157, however, based on supporting documentation, expenditures were \$159,719 and \$160,154 for 2012 and 2013, respectively.

Status: Repeated. See Finding 2015-1.

FINDINGS AND RECOMMENDATIONS

MCDONALD COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Accounting for Investments

Condition: The County did not correctly account for activity related to money market accounts and certificates of deposit during the audit period. In 2015 and 2014, the County recorded as expenditures in the General Revenue fund \$350,000 and \$150,000, respectively, that were moved out of the Treasurer's main checking account into a money market fund. This had the effect of overstating expenditures and understating the balance of the General Revenue fund at both December 31, 2015 and 2014. Also, the County did not record the interest earned on General Revenue fund money market accounts and certificates of deposit as revenue in either 2015 or 2014.

Recommendation: We recommend that the County ensure that transactions between bank and investment accounts are recorded properly to ensure that fund balances include money in all accounts held by the County.

County Response: Based on the finding and recommendation, McDonald County will make all necessary changes to rectify this issue.

Auditor's Evaluation: The response is appropriate to correct the concern.

ITEMS OF NONCOMPLIANCE

2. Budgetary Compliance

Condition: Actual expenditures exceeded budgeted expenditures for the following funds in 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Health Department	X	X
Concealed Weapons	X	X
Law Enforcement Training	N/A	X
Administrative Handling Service	N/A	X

State statutes prohibit the County from approving expenditures in excess of the budgeted amount for any County fund. This requirement ensures that expenditures are subject to public scrutiny as provided by their inclusion in a budget adopted or amended at a public meeting.

Recommendation: We recommend the County ensure compliance with State Statutes by refraining from approving expenditures in excess of budgeted amounts. In the event that the originally adopted budget is inadequate to finance current year unforeseen expenditures, budgetary amendments should be discussed in a public meeting and formally adopted by the County Commission.

County Response: The Health Department receives the majority of its revenue from grants throughout the year. Many of the grants are necessary for the Health Department to provide the services required. Different grants become available throughout the budget year but has the requirement of being spent that fiscal year. The Health Department supervisor notifies the Commission when these grants become available and the Commission grants approval to spend the incoming money. Concealed Weapons permits have increased in McDonald County over the past couple years. With the rising number of CCW requests and permits issued, the Concealed Weapons expenditures are difficult to precisely budget. Per your recommendation, in the event the originally adopted budget is not adequate to finance the current year's unforeseen expenditures, a budgetary amendment will be initiated.

Auditor's Evaluation: The response is appropriate to correct the concern.

MCDONALD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by McDonald County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2013 and 2012.

1. The County did not appropriately record transfers between funds, including recording transactions related to certificates of deposit as transfers.

Status – Partially resolved. See finding No. 1

2. The County approved expenditures in excess of budgeted amounts for several funds during both 2012 and 2013.

Status – Not resolved. See finding No. 2.

3. The beginning balances of some funds did not match the ending balances of the fund in the previous year's budget. There were also variances between numbers reported in the approved budgets and the Treasurer's Settlements.

Status – Resolved.

4. The Collector's signature stamp and blank check stock in the County Clerk's office were not properly safeguarded against improper use.

Status – Resolved.

5. The Collector's bank reconciliations included checks that were more than three years old.

Status – Resolved.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Vernon County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Vernon County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, LLC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

August 2016
Report No. 2016-051

ANNUAL FINANCIAL REPORT

VERNON COUNTY, MISSOURI

For the Years Ended
December 31, 2015 and 2014

VERNON COUNTY, MISSOURI

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INTRODUCTORY SECTION

VERNON COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Joe Hardin
Northern Commissioner – Neal Gerster
Southern Commissioner – Everett Wolfe

Other Elected Officials

Assessor – Cherie Roberts
County Clerk – Sean M. Buehler
Circuit Clerk – Carrie Poe
Recorder – Doug Shupe
Coroner – David Ferry
Prosecuting Attorney – Brandi L. McInroy
Public Administrator – Tammy Bond
Sheriff – Jason Mosher
Collector - Treasurer – Phil Couch

FINANCIAL SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Vernon County, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Vernon County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Vernon County, Missouri on the basis of the financial reporting provisions prescribed or permitted by Missouri Law, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Vernon County, Missouri, as of December 31, 2015 and 2014, or the changes in its financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of each fund of Vernon County, Missouri, as of December 31, 2015 and 2014, and their respective cash receipts and disbursements, and budgetary results for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri Law described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vernon County, Missouri’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated June 24, 2016, on our consideration of Vernon County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
June 24, 2016

VERNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2014 AND 2015

Fund	Cash and Investments	Receipts	Disbursements	Cash and Investments	Receipts	Disbursements	Cash and Investments
	January 1, 2014			December 31, 2014			December 31, 2015
General Revenue	\$ 506,993	\$ 3,929,395	\$ 3,651,547	\$ 784,841	\$ 4,121,792	\$ 4,207,429	\$ 699,204
Special Road & Bridge	405,537	1,871,751	2,062,332	214,956	1,737,783	1,628,634	324,105
Assessment	32,892	213,246	229,609	16,529	252,801	269,330	-
Law Enforcement Training	896	3,910	4,572	234	3,993	3,413	814
Sheriff's Discretionary	3,165	19,826	22,181	810	13,830	10,465	4,175
Prosecuting Attorney Training	118	662	559	221	676	545	352
Prosecuting Attorney Administrative Cost	-	12,920	12,022	898	7,218	7,765	351
Sewer	-	5,311	5,311	-	5,485	5,031	454
Local Emergency Planning Committee	10,988	3,650	2,663	11,975	3,672	549	15,098
Shelter	4,367	4,584	8,704	247	4,797	20	5,024
Election Service	31,449	7,304	13,685	25,068	12,430	10,340	27,158
Help America Vote Act	15,344	5,706	4,121	16,929	7,488	14,340	10,077
Election	-	98,131	98,131	-	52,154	52,154	-
Tax Maintenance	58,391	30,032	33,811	54,612	28,317	60,208	22,721
Quarter % Assessment	23,668	34,412	53,055	5,025	35,981	31,123	9,883
Recorder User Fee	75,732	10,816	17,000	69,548	10,474	14,400	65,622
Law Enforcement Restitution	24,669	29,698	15,498	38,869	30,612	22,138	47,343
Law Enforcement Sales Tax	82,106	1,034,910	937,724	179,292	1,070,253	1,107,809	141,736
Inmate Security	1,264	57,763	31,677	27,350	57,344	47,115	37,579
Prosecuting Attorney Tax Collection	171	1	-	172	1	-	173
Recycling	1,307	10,550	11,844	13	31,828	27,144	4,697
United Way DARE	983	2,204	2,078	1,109	2,279	2,685	703
Payment in Lieu of Tax	35,125	-	20	35,105	-	20	35,085
Bond Reserve	732,131	16,909	1,407	747,633	14,950	16,620	745,963
Vernon County DARE	916	669	472	1,113	220	1,075	258
Federal Seizure	581	4	20	565	3	20	548
Capital Improvement	-	-	-	-	300,000	-	300,000
Sheriff's Revolving (CCW)	6,147	14,245	6,799	13,593	21,759	10,195	25,157
Total	<u>\$ 2,054,940</u>	<u>\$ 7,418,609</u>	<u>\$ 7,226,842</u>	<u>\$ 2,246,707</u>	<u>\$ 7,828,140</u>	<u>\$ 7,550,567</u>	<u>\$ 2,524,280</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND Year Ended December 31,				
	2014		2015	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 429,358	\$ 446,065	\$ 420,500	\$ 431,196
Sales taxes	1,035,000	1,037,177	1,000,000	1,067,994
Intergovernmental	386,911	430,509	500,859	477,771
Charges for services	1,339,513	1,441,681	1,224,850	1,418,084
Interest	6,000	4,558	4,500	4,896
Other	165,927	184,183	181,708	182,841
Transfers in	432,876	385,222	500,862	539,010
Total Receipts	<u>\$ 3,795,585</u>	<u>\$ 3,929,395</u>	<u>\$ 3,833,279</u>	<u>\$ 4,121,792</u>
DISBURSEMENTS				
County Commission	\$ 99,707	\$ 98,525	\$ 102,767	\$ 104,212
County Clerk	185,292	166,713	180,262	175,837
Elections	85,400	72,645	33,000	24,064
Buildings and grounds	146,683	120,236	194,776	161,362
Employee fringe benefits	489,296	446,466	561,927	494,521
Treasurer	138,190	132,055	141,351	137,939
Recorder of Deeds	93,134	91,311	93,914	90,977
Circuit Clerk	52,400	39,017	44,950	34,244
Court administration	26,949	22,110	23,772	21,681
Public Administrator	84,443	80,630	92,864	90,982
Sheriff	729,587	710,744	950,747	867,735
Jail	1,048,904	1,032,959	994,116	1,017,203
Prosecuting Attorney	225,883	206,509	222,383	218,173
Juvenile Officer	133,011	127,139	148,314	135,661
Coroner	39,624	38,948	37,384	23,987
Other County Government	244,110	224,405	277,038	271,845
Health and Welfare	1,000	-	5,000	2,000
Debt Services	-	-	-	-
Transfers out	37,000	36,949	343,574	329,665
Emergency fund	103,368	4,186	111,847	5,341
Total Disbursements	<u>\$ 3,963,981</u>	<u>\$ 3,651,547</u>	<u>\$ 4,559,986</u>	<u>\$ 4,207,429</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (168,396)	\$ 277,848	\$ (726,707)	\$ (85,637)
CASH AND INVESTMENTS, JANUARY 1	<u>506,993</u>	<u>506,993</u>	<u>784,841</u>	<u>784,841</u>
CASH AND INVESTMENTS, DECEMBER 31	<u><u>\$ 338,597</u></u>	<u><u>\$ 784,841</u></u>	<u><u>\$ 58,134</u></u>	<u><u>\$ 699,204</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD & BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 115,000	\$ 121,783	\$ 125,064	\$ 125,064	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,001,548	1,659,925	1,876,902	1,601,308	200,218	190,679	232,006	237,203
Charges for services	-	2,777	-	-	-	-	-	-
Interest	5,000	-	2,000	2,145	906	405	400	385
Other	30,600	81,982	17,400	4,266	238	162	9,744	96
Transfers in	-	5,284	-	5,000	22,000	22,000	33,575	15,117
Total Receipts	<u>\$ 2,152,148</u>	<u>\$ 1,871,751</u>	<u>\$ 2,021,366</u>	<u>\$ 1,737,783</u>	<u>\$ 223,362</u>	<u>\$ 213,246</u>	<u>\$ 275,725</u>	<u>\$ 252,801</u>
DISBURSEMENTS								
Salaries	\$ 313,268	\$ 310,677	\$ 322,666	\$ 295,247	\$ 153,152	\$ 151,059	\$ 177,157	\$ 168,868
Employee fringe benefits	113,690	108,314	115,117	112,871	57,931	54,676	76,222	66,079
Materials and supplies	130,000	84,486	134,892	49,788	18,975	15,688	20,075	15,573
Services and Other	324,796	204,776	248,546	232,680	8,500	8,186	18,800	18,810
Capital Outlay	250,000	220,168	76,000	29,082	-	-	-	-
Construction	1,306,708	1,014,913	1,232,022	802,504	-	-	-	-
Transfers out	118,998	118,998	106,462	106,462	-	-	-	-
Total Disbursements	<u>\$ 2,557,460</u>	<u>\$ 2,062,332</u>	<u>\$ 2,235,705</u>	<u>\$ 1,628,634</u>	<u>\$ 238,558</u>	<u>\$ 229,609</u>	<u>\$ 292,254</u>	<u>\$ 269,330</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (405,312)	\$ (190,581)	\$ (214,339)	\$ 109,149	\$ (15,196)	\$ (16,363)	\$ (16,529)	\$ (16,529)
CASH AND INVESTMENTS, JANUARY 1	<u>405,537</u>	<u>405,537</u>	<u>214,956</u>	<u>214,956</u>	<u>32,892</u>	<u>32,892</u>	<u>16,529</u>	<u>16,529</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 225</u>	<u>\$ 214,956</u>	<u>\$ 617</u>	<u>\$ 324,105</u>	<u>\$ 17,696</u>	<u>\$ 16,529</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				SHERIFF'S DISCRETIONARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,800	3,865	3,800	3,918	24,000	19,815	19,000	13,821
Interest	-	5	-	3	-	11	-	9
Other	-	40	-	72	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,800</u>	<u>\$ 3,910</u>	<u>\$ 3,800</u>	<u>\$ 3,993</u>	<u>\$ 24,000</u>	<u>\$ 19,826</u>	<u>\$ 19,000</u>	<u>\$ 13,830</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	4,700	418	4,000	581
Services and other	4,696	4,572	4,000	3,413	7,200	3,288	15,000	9,884
Capital outlay	-	-	-	-	15,000	14,618	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	3,857	-	-
Total Disbursements	<u>\$ 4,696</u>	<u>\$ 4,572</u>	<u>\$ 4,000</u>	<u>\$ 3,413</u>	<u>\$ 26,900</u>	<u>\$ 22,181</u>	<u>\$ 19,000</u>	<u>\$ 10,465</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (896)	\$ (662)	\$ (200)	\$ 580	\$ (2,900)	\$ (2,355)	\$ -	\$ 3,365
CASH AND INVESTMENTS, JANUARY 1	<u>896</u>	<u>896</u>	<u>234</u>	<u>234</u>	<u>3,165</u>	<u>3,165</u>	<u>810</u>	<u>810</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ 234</u>	<u>\$ 34</u>	<u>\$ 814</u>	<u>\$ 265</u>	<u>\$ 810</u>	<u>\$ 810</u>	<u>\$ 4,175</u>

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VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				PROSECUTING ATTORNEY ADMINISTRATIVE COST FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	650	661	700	675	15,000	11,944	11,000	4,793
Interest	-	1	-	1	-	21	-	27
Other	-	-	-	-	-	955	4,000	2,398
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 650</u>	<u>\$ 662</u>	<u>\$ 700</u>	<u>\$ 676</u>	<u>\$ 15,000</u>	<u>\$ 12,920</u>	<u>\$ 15,000</u>	<u>\$ 7,218</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	2,000	1,191	2,000	724
Services and other	700	559	700	545	-	31	-	41
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	13,000	10,800	13,000	7,000
Total Disbursements	<u>\$ 700</u>	<u>\$ 559</u>	<u>\$ 700</u>	<u>\$ 545</u>	<u>\$ 15,000</u>	<u>\$ 12,022</u>	<u>\$ 15,000</u>	<u>\$ 7,765</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (50)	\$ 103	\$ -	\$ 131	\$ -	\$ 898	\$ -	\$ (547)
CASH AND INVESTMENTS, JANUARY 1	<u>118</u>	<u>118</u>	<u>221</u>	<u>221</u>	<u>-</u>	<u>-</u>	<u>898</u>	<u>898</u>
CASH AND INVESTMENTS, DECEMBER 31	<u><u>\$ 68</u></u>	<u><u>\$ 221</u></u>	<u><u>\$ 221</u></u>	<u><u>\$ 352</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 898</u></u>	<u><u>\$ 898</u></u>	<u><u>\$ 351</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SEWER FUND				LOCAL EMERGENCY PLANNING COMMITTEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 5,693	\$ 4,983	\$ 4,900	\$ 5,457	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,500	3,650	3,650	3,672
Charges for services	-	-	-	-	-	-	-	-
Interest	20	28	25	28	-	-	-	-
Other	-	300	175	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 5,713</u>	<u>\$ 5,311</u>	<u>\$ 5,100</u>	<u>\$ 5,485</u>	<u>\$ 3,500</u>	<u>\$ 3,650</u>	<u>\$ 3,650</u>	<u>\$ 3,672</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	5,713	27	5,100	31	14,488	2,663	12,000	549
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	5,284	-	5,000	-	-	-	-
Total Disbursements	<u>\$ 5,713</u>	<u>\$ 5,311</u>	<u>\$ 5,100</u>	<u>\$ 5,031</u>	<u>\$ 14,488</u>	<u>\$ 2,663</u>	<u>\$ 12,000</u>	<u>\$ 549</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ 454	\$ (10,988)	\$ 987	\$ (8,350)	\$ 3,123
CASH AND INVESTMENTS, JANUARY 1	-	-	-	-	10,988	10,988	11,975	11,975
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454</u>	<u>\$ -</u>	<u>\$ 11,975</u>	<u>\$ 3,625</u>	<u>\$ 15,098</u>

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VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHELTER FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,600	4,544	-	4,783	5,000	2,677	-	3,373
Interest	15	40	-	14	250	156	-	143
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	4,471	6,397	8,914
Total Receipts	<u>\$ 4,615</u>	<u>\$ 4,584</u>	<u>\$ -</u>	<u>\$ 4,797</u>	<u>\$ 5,250</u>	<u>\$ 7,304</u>	<u>\$ 6,397</u>	<u>\$ 12,430</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	8,982	8,704	-	20	-	-	-	-
Capital outlay	-	-	-	-	36,699	13,685	14,000	10,340
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 8,982</u>	<u>\$ 8,704</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 36,699</u>	<u>\$ 13,685</u>	<u>\$ 14,000</u>	<u>\$ 10,340</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,367)	\$ (4,120)	\$ -	\$ 4,777	\$ (31,449)	\$ (6,381)	\$ (7,603)	\$ 2,090
CASH AND INVESTMENTS, JANUARY 1	<u>4,367</u>	<u>4,367</u>	<u>247</u>	<u>247</u>	<u>31,449</u>	<u>31,449</u>	<u>25,068</u>	<u>25,068</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ 247</u>	<u>\$ 247</u>	<u>\$ 5,024</u>	<u>\$ -</u>	<u>\$ 25,068</u>	<u>\$ 17,465</u>	<u>\$ 27,158</u>

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VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	HELP AMERICA VOTE ACT FUND				ELECTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	7,004	1,439	7,461	7,371	100,000	94,231	51,870	52,154
Charges for services	4,270	165	-	-	-	-	-	-
Interest	75	102	-	117	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	4,000	-	-	-	3,900	-	-
Total Receipts	<u>\$ 11,349</u>	<u>\$ 5,706</u>	<u>\$ 7,461</u>	<u>\$ 7,488</u>	<u>\$ 100,000</u>	<u>\$ 98,131</u>	<u>\$ 51,870</u>	<u>\$ 52,154</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	26,693	4,121	7,461	14,340	100,000	89,661	51,870	44,640
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	8,470	-	7,514
Total Disbursements	<u>\$ 26,693</u>	<u>\$ 4,121</u>	<u>\$ 7,461</u>	<u>\$ 14,340</u>	<u>\$ 100,000</u>	<u>\$ 98,131</u>	<u>\$ 51,870</u>	<u>\$ 52,154</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (15,344)	\$ 1,585	\$ -	\$ (6,852)	\$ -	\$ -	\$ -	\$ -
CASH AND INVESTMENTS, JANUARY 1	<u>15,344</u>	<u>15,344</u>	<u>16,929</u>	<u>16,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ 16,929</u>	<u>\$ 16,929</u>	<u>\$ 10,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	TAX MAINTENANCE FUND				QUARTER % ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	30,000	33,854	34,530	34,409
Charges for services	28,000	29,341	28,450	27,960	-	200	-	1,500
Interest	500	446	-	357	250	125	125	72
Other	-	245	-	-	-	233	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 28,500</u>	<u>\$ 30,032</u>	<u>\$ 28,450</u>	<u>\$ 28,317</u>	<u>\$ 30,250</u>	<u>\$ 34,412</u>	<u>\$ 34,655</u>	<u>\$ 35,981</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	50,000	16,507	50,000	42,208	4,050	2,539	1,800	2,152
Services and other	-	-	-	-	29,868	30,516	37,880	28,971
Capital outlay	-	-	-	-	20,000	20,000	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	17,304	17,304	18,000	18,000	-	-	-	-
Total Disbursements	<u>\$ 67,304</u>	<u>\$ 33,811</u>	<u>\$ 68,000</u>	<u>\$ 60,208</u>	<u>\$ 53,918</u>	<u>\$ 53,055</u>	<u>\$ 39,680</u>	<u>\$ 31,123</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (38,804)	\$ (3,779)	\$ (39,550)	\$ (31,891)	\$ (23,668)	\$ (18,643)	\$ (5,025)	\$ 4,858
CASH AND INVESTMENTS, JANUARY 1	<u>58,391</u>	<u>58,391</u>	<u>54,612</u>	<u>54,612</u>	<u>23,668</u>	<u>23,668</u>	<u>5,025</u>	<u>5,025</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 19,587</u>	<u>\$ 54,612</u>	<u>\$ 15,062</u>	<u>\$ 22,721</u>	<u>\$ -</u>	<u>\$ 5,025</u>	<u>\$ -</u>	<u>\$ 9,883</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	RECORDER USER FEE FUND				LAW ENFORCEMENT RESTITUTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	12,000	7,496	10,000	10,061	30,000	29,526	32,500	30,306
Interest	700	458	500	413	400	172	200	306
Other	-	-	-	-	-	-	-	-
Transfers in	-	2,862	-	-	-	-	-	-
Total Receipts	<u>\$ 12,700</u>	<u>\$ 10,816</u>	<u>\$ 10,500</u>	<u>\$ 10,474</u>	<u>\$ 30,400</u>	<u>\$ 29,698</u>	<u>\$ 32,700</u>	<u>\$ 30,612</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	34,400	700	35,600	-	-	24	-	-
Capital outlay	-	-	-	-	-	-	65,000	22,138
Construction	-	-	-	-	-	-	-	-
Transfers out	15,600	16,300	14,400	14,400	54,974	15,474	-	-
Total Disbursements	<u>\$ 50,000</u>	<u>\$ 17,000</u>	<u>\$ 50,000</u>	<u>\$ 14,400</u>	<u>\$ 54,974</u>	<u>\$ 15,498</u>	<u>\$ 65,000</u>	<u>\$ 22,138</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (37,300)	\$ (6,184)	\$ (39,500)	\$ (3,926)	\$ (24,574)	\$ 14,200	\$ (32,300)	\$ 8,474
CASH AND INVESTMENTS, JANUARY 1	<u>75,732</u>	<u>75,732</u>	<u>69,548</u>	<u>69,548</u>	<u>24,669</u>	<u>24,669</u>	<u>38,869</u>	<u>38,869</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 38,432</u>	<u>\$ 69,548</u>	<u>\$ 30,048</u>	<u>\$ 65,622</u>	<u>\$ 95</u>	<u>\$ 38,869</u>	<u>\$ 6,569</u>	<u>\$ 47,343</u>

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VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				INMATE SECURITY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	935,000	1,033,564	1,100,000	1,067,826	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	2,800	5,407	18,800	6,132
Interest	2,000	1,346	1,000	2,427	-	57	-	177
Other	-	-	-	-	41,500	52,299	30,000	51,035
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 937,000</u>	<u>\$ 1,034,910</u>	<u>\$ 1,101,000</u>	<u>\$ 1,070,253</u>	<u>\$ 44,300</u>	<u>\$ 57,763</u>	<u>\$ 48,800</u>	<u>\$ 57,344</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	746,186	744,724	745,036	732,809	36,564	6,257	100	51
Capital outlay	-	-	-	-	9,000	25,420	69,700	47,064
Construction	-	-	-	-	-	-	-	-
Transfers out	208,000	193,000	465,000	375,000	-	-	-	-
Total Disbursements	<u>\$ 954,186</u>	<u>\$ 937,724</u>	<u>\$ 1,210,036</u>	<u>\$ 1,107,809</u>	<u>\$ 45,564</u>	<u>\$ 31,677</u>	<u>\$ 69,800</u>	<u>\$ 47,115</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (17,186)	\$ 97,186	\$ (109,036)	\$ (37,556)	\$ (1,264)	\$ 26,086	\$ (21,000)	\$ 10,229
CASH AND INVESTMENTS, JANUARY 1	<u>82,106</u>	<u>82,106</u>	<u>179,292</u>	<u>179,292</u>	<u>1,264</u>	<u>1,264</u>	<u>27,350</u>	<u>27,350</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 64,920</u>	<u>\$ 179,292</u>	<u>\$ 70,256</u>	<u>\$ 141,736</u>	<u>\$ -</u>	<u>\$ 27,350</u>	<u>\$ 6,350</u>	<u>\$ 37,579</u>

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VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TAX COLLECTION				RECYCLING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	2	1	-	1	18	7	-	39
Other	-	-	-	-	16,000	10,543	16,500	31,789
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 16,018</u>	<u>\$ 10,550</u>	<u>\$ 16,500</u>	<u>\$ 31,828</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	-	-	-	12,325	10,541	16,500	22,144
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	5,000	1,303	-	5,000
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,325</u>	<u>\$ 11,844</u>	<u>\$ 16,500</u>	<u>\$ 27,144</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 2	\$ 1	\$ -	\$ 1	\$ (1,307)	\$ (1,294)	\$ -	\$ 4,684
CASH AND INVESTMENTS, JANUARY 1	<u>171</u>	<u>171</u>	<u>172</u>	<u>172</u>	<u>1,307</u>	<u>1,307</u>	<u>13</u>	<u>13</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 173</u>	<u>\$ 172</u>	<u>\$ 172</u>	<u>\$ 173</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 13</u>	<u>\$ 4,697</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	UNITED WAY DARE FUND				PAYMENT IN LIEU OF TAX FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	10	4	-	4	-	-	-	-
Other	2,200	2,200	2,200	2,275	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,210</u>	<u>\$ 2,204</u>	<u>\$ 2,200</u>	<u>\$ 2,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	3,193	2,078	3,309	2,685	35,125	20	35,105	20
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,193</u>	<u>\$ 2,078</u>	<u>\$ 3,309</u>	<u>\$ 2,685</u>	<u>\$ 35,125</u>	<u>\$ 20</u>	<u>\$ 35,105</u>	<u>\$ 20</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (983)	\$ 126	\$ (1,109)	\$ (406)	\$ (35,125)	\$ (20)	\$ (35,105)	\$ (20)
CASH AND INVESTMENTS, JANUARY 1	<u>983</u>	<u>983</u>	<u>1,109</u>	<u>1,109</u>	<u>35,125</u>	<u>35,125</u>	<u>35,105</u>	<u>35,105</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ 1,109</u>	<u>\$ -</u>	<u>\$ 703</u>	<u>\$ -</u>	<u>\$ 35,105</u>	<u>\$ -</u>	<u>\$ 35,085</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	BOND RESERVE FUND				VERNON COUNTY DARE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	300	14,948	-	14,950	18	5	-	4
Other	-	1,961	-	-	2,000	664	600	216
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 300</u>	<u>\$ 16,909</u>	<u>\$ -</u>	<u>\$ 14,950</u>	<u>\$ 2,018</u>	<u>\$ 669</u>	<u>\$ 600</u>	<u>\$ 220</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	1,407	-	16,620	2,934	472	1,700	1,075
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 1,407</u>	<u>\$ -</u>	<u>\$ 16,620</u>	<u>\$ 2,934</u>	<u>\$ 472</u>	<u>\$ 1,700</u>	<u>\$ 1,075</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 300	\$ 15,502	\$ -	\$ (1,670)	\$ (916)	\$ 197	\$ (1,100)	\$ (855)
CASH AND INVESTMENTS, JANUARY 1	<u>732,131</u>	<u>732,131</u>	<u>747,633</u>	<u>747,633</u>	<u>916</u>	<u>916</u>	<u>1,113</u>	<u>1,113</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 732,431</u>	<u>\$ 747,633</u>	<u>\$ 747,633</u>	<u>\$ 745,963</u>	<u>\$ -</u>	<u>\$ 1,113</u>	<u>\$ 13</u>	<u>\$ 258</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	FEDERAL SEIZURE				CAPITAL IMPROVEMENT			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	4	-	3	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	300,000	300,000
Total Receipts	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	581	-	-	-	-	-	-	-
Services and other	-	20	-	20	-	-	300,000	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 581</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (581)	\$ (16)	\$ -	\$ (17)	\$ -	\$ -	\$ -	\$ 300,000
CASH AND INVESTMENTS, JANUARY 1	<u>581</u>	<u>581</u>	<u>565</u>	<u>565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ 565</u>	<u>\$ 565</u>	<u>\$ 548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S REVOLVING (CCW)			
	Year Ended December 31,			
	2014		2015	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	14,187	-	21,649
Interest	-	58	-	110
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 14,245</u>	<u>\$ -</u>	<u>\$ 21,759</u>
DISBURSEMENTS				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-
Materials and supplies	-	6,336	-	7,432
Services and other	-	463	-	2,763
Capital outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 6,799</u>	<u>\$ -</u>	<u>\$ 10,195</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ -	\$ 7,446	\$ -	\$ 11,564
CASH AND INVESTMENTS, JANUARY 1	<u>6,147</u>	<u>6,147</u>	<u>13,593</u>	<u>13,593</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 6,147</u>	<u>\$ 13,593</u>	<u>\$ 13,593</u>	<u>\$ 25,157</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Vernon County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, and Collector - Treasurer.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Vernon County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the County's legal entity.

Certain elected County officials, particularly the Collector – Treasurer, Circuit Clerk and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the Sheriff's Revolving (CCW) fund in 2014 or 2015.
10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2015</u>	<u>2014</u>
Shelter	✓	N/A
Help America Vote Act	✓	N/A
Election	✓	N/A
Recycling	✓	N/A
Bond Reserve	✓	✓
Federal Seizure	✓	N/A

Also, the actual expenditures of the Sheriff's Revolving (CCW) fund in 2015 and 2014 exceeded budgetary authority to the extent that formal budgets were not adopted for this fund.

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for the calendar year 2015 and 2014, for purposes of taxation were:

	2015	2014
Real Estate	\$ 162,325,540	\$ 160,288,770
Personal Property	66,291,293	63,038,139
Railroad and Utilities	28,449,962	25,155,661
Total	<u>\$ 257,066,795</u>	<u>\$ 248,482,570</u>

For calendar years 2015 and 2014, the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property as follows:

	2015	2014
General Revenue	\$ 0.1659	\$ 0.1661

The County assesses a .50 levy on parcels of land that are part of the sewer district and receives 5% of Road & Bridge taxes levied and collected by each township in the County.

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash and investment balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Investments" caption. Cash includes deposits and investments with maturities that are less than ninety days. The County also maintains a bond reserve investment account which consists of cash equivalents and fixed income securities with maturities greater than ninety days. The fixed income securities were purchased in October 2013. Prior to this, the bond reserve account consisted solely of cash equivalents.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, the carrying amounts of the County's deposits were \$2,524,280 and \$2,246,707, respectively, and the bank balances were \$2,264,246 and \$2,060,534, respectively. Of the bank balances, \$250,000 for both December 31, 2015 and December 31, 2014, were covered by federal depository insurance. The remainder of the balances at December 31, 2015 and December 31, 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2015 and 2014, the County Collector held, in addition to the cash and investments listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. Tax collections on deposit amounted to \$8,695,323 and \$8,343,500 at December 31, 2015 and 2014, respectively. The County Collector's deposits were covered by federal depository insurance of \$250,000 as of December 31, 2015 and 2014. The remainder of the balances at December 31, 2015 and December 31, 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. Missouri Local Government Employees Retirement System (LAGERS)

1) Plan Description

Vernon County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in

Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401 (a) and is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334, or at by the following website, www.molagers.org.

2) Pension Benefits

Benefits are available to all full-time employees working in a LAGERS covered department. Benefits vest when an employee earns five years (60 months) of service credit in the system. Normal retirement age is 60 (General) or 55 (Police), and early retirement is 55 (General) and 50 (Police). Benefits are paid out using a formula that is based on the employee's final average salary and amount of credited service time.

3) Funding Policy

Full-time employees of Vernon County do not contribute to the pension plan. The June 30th statutorily required contribution rates were 5.8% and 7.9% (General), and 10.9% and 13.2% (Police) of annual covered payroll for 2015 and 2014 respectively. Beginning with the first quarter of 2015, the County elected to upgrade to the L-7 benefit program, and the June 30th statutorily required contribution rates beginning in April of 2015 were 8.8% (General) and 13.8% (Police). The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute. For the years ended December 31, 2015 and 2014, the County contributed \$170,989 and \$158,966 to LAGERS.

B. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain

personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, by calling 1-573-632-9203, or by the following website, www.mocerf.org.

3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. All participants hired on or after February 24, 2002 are required to contribute an additional 4% of their gross compensation to CERF, starting January 1, 2003. An active LAGERS participant who was employed with the County prior to February 24, 2002, is not required to make contributions. During 2015 and 2014, the County collected and remitted to CERF employee contributions of approximately \$90,704 and \$76,639, respectively, for the years then ended.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full-time employees with up to 30 days of sick time, to accrue at one and one half day per complete calendar month of employment. Upon termination, the employee is not compensated accrued sick time. Vacation time is accrued for every full-time employee, and accrues at the rate of 5 to 20 days per year depending on length of employment. Employees must use vacation time in the year it is earned.

Effective June 11, 2015, a revised policy was adopted by the County for sick leave. The revised policy states that after an introductory period of six months, the County provides full-time employees with up to 30 days of sick time. All County employees who work a scheduled 40 hour work week will receive 5.5 hours per pay period and then one hour at the end of the calendar year. Employees who work a scheduled 35-40 hour work week will receive 4 hours of sick leave per pay period and one additional hour at the end of the calendar year. No sick leave is awarded on overtime hours worked.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. LONG TERM DEBT

The County issued certificates of participation bonds to provide funds for the construction of a new law enforcement facility and to repay the related bond anticipation notes. The County created a Law Enforcement Sales Tax Fund and a Bond Reserve Fund in which the activity for this project and the bond reserve are recorded. Sales tax revenue bonds are payable from a one-half cent sales tax plus the interest from the Bond Reserve Fund. The County debt at December 31, 2015 consisted of \$6,860,000 in Certificates of Participation, Series 2007, with principal payments due on October 1 each year through 2027. Principal payments increase each year, with \$455,000 due on October 1, 2016 up to \$710,000 due on October 1, 2027. Interest is due on April 1 and October 1 each year with interest rates increasing each year from the initial rate of 3.5% up to 4.4%.

8. CAPITAL LEASES

On December 4, 2015, the County entered into a 48 month capital lease for two 2016 Police Interceptor Utility AWD vehicles for the Sheriff's Department. The lease is to be paid in annual payments of \$17,618, which include interest of 5.95%, with the final payment scheduled on December 4, 2018. At the end of the lease, the County will have the option to purchase the vehicles.

9. CHANGE IN REPORTING ENTITY

As of January 1, 2014, the County has changed its definition of the reporting entity to include the Federal Seizure and Sheriff Revolving (CCW) funds.

10. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 24, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the County Commission and
Officeholders of Vernon County, Missouri

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vernon County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Vernon County, Missouri's basic financial statements and have issued our report thereon dated June 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vernon County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vernon County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Vernon County, Missouri's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies as items 1 and 2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vernon County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and recommendations as item 3.

We also noted three other matters that we reported to management of Vernon County, Missouri in the accompanying schedule of findings and recommendations section as items 4 through 6.

Vernon County, Missouri's Response to Findings

Vernon County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. Vernon County, Missouri's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
June 24, 2016

McBRIDE, LOCK & ASSOCIATES, LLC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the County Commission and
Officeholders of Vernon County, Missouri

Report on Compliance for Each Major Federal Program

We have audited Vernon County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Vernon County, Missouri's major federal programs for the years ended December 31, 2015 and 2014. Vernon County, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Vernon County, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the Vernon County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Vernon County, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, Vernon County, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2015 and 2014.

Report on Internal Control over Compliance

Management of Vernon County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Vernon County, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vernon County, Missouri's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
June 24, 2016

VERNON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2014	2015
U.S. DEPARTMENT OF JUSTICE				
	Direct program -			
16.710	Public Safety Partnership and Community Policing Grants	2012UMWX0110	26,135	32,360
	Passed through -			
	State Department of Public Safety -			
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	ERS172392	26,163	18,100
		OSCA 16-003-18	-	14,667
16.738	Edward Byrne Memorial Justice Assistance Grant Program	LLEBG	7,528	1,768
		2013JAG026	13,789	77,594
16.201584	Domestic Cannabis Eradication/Supression Program		-	1,050
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through State Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO-B108(39)	389,760	-
		BRO-B108(40)	244,411	-
		BRO-B108(41)	28,326	545,818
		BRO-B108(42)	36,621	13,598
		BRO-B108(43)	-	11,448
		BRO-B108(44)	-	10,654
20.607	Passed through State Department of Public Safety - Alcohol Open Container Requirements	13-154-AL-074	3,594	2,265
ELECTION ASSISTANCE COMMISSION				
	Passed through the Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments	n/a	-	2,418
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state Department of Social Services -			
93.563	Child Support Enforcement	n/a	1,857	966
93.569	Community Services Block Grant	n/a	49,370	25,950
U. S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through State Department of Public Safety -			
97.042	Emergency Management Performance Grants	EMW-2013	16,614	-
		EMW-2015	-	15,246
Total Expenditures of Federal Awards			\$ 844,168	\$ 773,902

See accompanying Notes to the Schedule of Expenditures of Federal Awards

VERNON COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2015 and 2014.

VERNON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported
- Noncompliance material to financial statements noted? X Yes No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unmodified

Any audit findings disclosed that are required to be Reported in accordance with section 510(A) of Circular A-133? Yes X No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: Yes X No

SECTION II – FINANCIAL STATEMENTS FINDINGS

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

1. Internal Controls Over Employee Timesheets and Pay
2. Accounting for Transfers
3. Budgetary Controls
4. Collector – Treasurer Collateral Monitoring
5. Procurement Procedures
6. Inaccurate Published Financial Statements

Summary Schedule of Prior Audit Findings:

1. Budgetary Controls
2. Accounting for Transfers

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-1. Incorrect Schedule of Expenditures of Federal Awards (SEFA)

The County Clerk did not prepare an accurate SEFA for the years ending December 31, 2012 and 2013. The reported expenditures for two projects under CFDA Number 20.205, and a grant under CFDA Number 20.601 were not accurate when compared to county prepared reimbursement requests to the state. As a result, expenditures were understated on the draft SEFA.

Status – This finding is resolved.

FINDINGS AND RECOMMENDATIONS

VERNON COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Internal Controls Over Employee Timesheets and Pay

Condition: A County Road & Bridge Employee approved the time reported on his own timesheet. The timesheet presents the hours worked and vacation and sick leave taken for the period, and includes lines for "Employee Signature" and "Supervisor's Signature"; however, both lines were signed by the Road & Bridge Employee. Review of the 2014 timesheets in the Employee's personnel file revealed that in some instances, a Commissioner approved the Employee's timesheet; however, there were several instances in which the Employee's timesheet was not signed by a Commissioner. In addition, a County Geographic Information System (GIS) Employee did not have a Supervisor signature on his timesheet. The 2014 timesheets in the Employee's personnel file revealed several instances in which there was no Supervisor signature.

The County did not maintain a record for a separate Road & Bridge Employee's approved rates of pay, either in a centralized record or in the Employee's individual personnel file. The County maintains a Budget Spreadsheet to document certain employees' rates of pay. However, at the end of calendar year 2014, an employee was paid \$.50 more per hour than the amount listed for the employee on the respective Budget Spreadsheet. Additionally, for the pay period tested, an employee was paid \$.52 more per hour than the amount listed for the Employee on the respective Budget Spreadsheet. The County could not provide support for the aforementioned pay increases and believe they were related to a \$.50 per hour increase that Road & Bridge employees receive after six months of employment.

Recommendation: We recommend that the County ensure all timesheets are signed by an employee's supervisor prior to distributing payroll.

In addition, we recommend that the County implement a process to ensure that all employee pay rates are adequately documented, and that all changes in pay rates are accompanied by a supporting document approved by an elected official or Commissioner.

County's Response: Commission has instructed employees in question to sign only as the employee rather than as the employee and supervisor. Commission will continue to monitor timesheets each pay period.

The County Clerk will put supporting documentation in all Road & Bridge employee personnel files that supports the \$.50 pay increase after 6 months of employment.

Auditor's Response: The response is appropriate to correct the concern.

2. Accounting for Transfers

Condition: The financial statements of the County as presented in the annual budget documents present transfers between funds. The recorded transfers out did not equal the recorded transfers in for either 2015 or 2014. This was the result of transfers out misclassified as expenditures and transfers in misclassified as revenues. The transfers recorded as revenues were misclassified as intergovernmental revenue in each year. This has the affect of overstating expenditures and revenues as recorded in the annual budget documents. All transfers out must be accompanied by a corresponding transfer in. The financial statements included in this report have been adjusted so that transfers in and out between funds are equal as of December 31, 2015 and 2014.

Recommendation: In order to ensure that transfers are properly reported and in balance, we recommend transfers out always be accompanied by an equal transfer in and that the transfers be clearly identified on the budget. Additionally, we recommend that the County clearly distinguish transfers in from intergovernmental revenues on the budget.

County's Response: Commission will take as advised and be consistent in future years in identifying transfers as transfers rather than revenue.

Auditor's Evaluation: The response is appropriate to correct the concern.

ITEMS OF NONCOMPLIANCE

3. Budgetary Controls

Condition: Actual expenditures exceeded budgeted expenditures for one fund in 2014 and six funds in 2015. The detailed list of funds can be found in Note 1.D.10 to the financial statements. RSMo 50.740 prohibits expenditures in excess of the approved budgets. The expenditures reported for the Bond Reserve Fund represented a decline in the market value of the bond reserve investment account and not actual cash disbursements; therefore, the County did not attempt to budget for this amount.

In addition, the County did not adopt a formal budget for the Sheriff's Revolving (CCW) Fund in 2014 or 2015. The Sheriff's Revolving (CCW) represents the fees collected by the Sheriff's Department for conceal and carry permits issued to individuals. The money receipted in this fund may be used at the Sheriff's discretion. Therefore, the fund should be included as part of the County's budget process as it represents County money. The financial statements presented in this report have been adjusted to include this fund.

Budgetary controls are significant to the proper management and custodianship of county funds. Compliance with statutory requirements related to budgets will improve controls over county funds and help maintain the integrity of the budget process.

Recommendation: We recommend the County strictly adhere to the authorized spending limits as documented in the adopted County budget or follow the appropriate procedures to amend the budget. We also recommend that the County adopt complete formal budgets for all funds as required by law.

County's Response: The County will take as advised and attempt to properly amend the budget as necessary. The Sheriff's CCW Fund has been added as a part of the county budget process.

Auditor's Response: The response is appropriate to correct the concern.

OTHER MATTERS

4. Collector - Treasurer Collateral Monitoring

Condition: The Collector - Treasurer has not been monitoring the amount of collateral pledged by the bank to ensure that the collateral is adequate to secure the County's deposits in excess of FDIC coverage. The County is required to protect all deposits in excess of the \$250,000 FDIC insurance coverage threshold to ensure that the deposits of public funds can be recovered in the event of a bank failure. While the County's deposits in excess of FDIC coverage were adequately collateralized as of December 31, 2014 and 2015, the Collector - Treasurer is not receiving periodic reports from the bank stating the amount of pledged collateral held in the County's name.

Recommendation: We recommend that the Collector - Treasurer monitor the amount of pledged collateral held by the bank in the County's name in order to ensure the sufficient collateral is held to secure the County's deposits in excess of FDIC coverage.

County's Response: The Vernon County Treasurer and the bank monitor the amount of pledged securities as tax money starts coming in from November thru January. They have not been receiving a report stating pledged amounts but will ask the bank for these reports in the future.

Auditor's Evaluation: The response is appropriate to correct the concern.

5. Procurement Procedures

Condition: The County did not consistently solicit bids and/or retain bid documentation for various purchases of goods and services. RSMo 50.660 states that, "All contracts and purchases shall be let to the lowest and best bidder after due opportunity for competition...except that the advertising is not required in case of contracts or purchases involving an expenditure of less than six thousand dollars. It is not necessary to obtain bids on any purchase in the amount of four thousand five hundred dollars or less made from any one person, firm or corporation during any period of ninety days..." RSMO 50.783.1 states that, "The county commission may waive the requirement of competitive bids or proposals for supplies when the commission has determined in writing and entered into the commission minutes that there is only a single feasible source for the supplies." Out of twenty five transactions tested for each year within the audit period, there was one instance in both 2015 and 2014 in which a bid was not solicited or sole source documentation was not included within the Commission minutes as required.

Recommendation: We recommend the County solicit bids in accordance with Missouri state law, maintain bid documentation in conjunction with associated disbursement records, and include pertinent bid information in the Commission minutes.

County's Response: The County will take as advised and solicit bids when appropriate.

Auditor's Evaluation: The response is appropriate to correct the concern.

6. Inaccurate Published Financial Statements

Condition: Financial data of the County, including a Financial Statement for the years ended December 31, 2015 and 2014, was published by the Nevada Daily Mail. The 2015 published Financial Statement agreed to budget amounts; however, the 2014 published Financial Statement did not include the Bond Reserve funds receipts and disbursements. Additionally, the Sheriff's Revolving (CCW) Fund was not included in the published Financial Statements for the years ended December 31, 2015 and 2014.

Recommendation: We recommend that the County implement a process to ensure that the published Financial Statements agree to the budget balances for each County fund and that all County funds are included.

County's Response: The County Clerk's office will strive to ensure that all published financial statements agree to the budget balance and ensure that all funds are included.

Auditor's Evaluation: The response is appropriate to correct the concern.

VERNON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Vernon County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2013 and 2012.

1. The County did not exercise adequate budgetary control over funds which incurred expenditures in excess of the authorized budgeted levels.

Status: Not resolved. See Finding No. 3.

2. The transfers reported in both 2013 and 2012 did not balance, in that transfers to other funds were not in agreement with transfers from other funds.

Status: Not resolved. See Finding No. 2.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Carter County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Carter County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Nicole R. Galloway", is positioned above the printed name. The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

August 2016
Report No. 2016-052

**The County of Carter
Van Buren, Missouri
Independent Auditor's Report and Financial Statements
For the years ended December 31, 2015 & 2014**



**The County of Carter
Van Buren, Missouri
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INDEPENDENT AUDITOR'S REPORT

To the County Commission and
Officeholders of Carter County, Missouri

We have audited the accompanying financial statements of Carter County, Missouri, as of and for the years ended December 31, 2015 and 2014, which collectively comprise the County's basic financial statements and the related notes to the financial statements as identified in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Carter County, Missouri, using accounting practices prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Carter County, Missouri, as of December 31, 2015 and 2014, or the changes in its financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Carter County, Missouri, as of December 31, 2015 and 2014, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

Other Matters

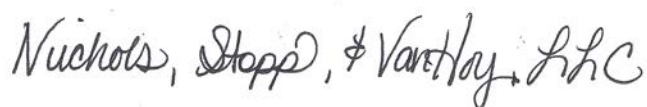
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carter County, Missouri’s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2016, on our consideration of Carter County, Missouri’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carter County, Missouri’s internal control over financial reporting and compliance.



Creve Coeur, Missouri
July 11, 2016

The County of Carter
Van Buren, Missouri
Statement of Receipts, Disbursements, and Changes in Cash
All Governmental Funds: Regulatory Basis
For the year ended December 31, 2015

<u>Fund</u>	Cash and Equivalents January 1, 2015	Receipts 2015	Disbursements 2015	Cash and Equivalents December 31, 2015
General Revenue Fund	\$ 19,562	\$ 1,105,578	\$ 967,269	\$ 157,871
Special Road and Bridge Fund	444,277	581,313	549,302	476,288
Assessment Fund	15	128,722	111,233	17,504
Law Enforcement Sales Tax Fund	15,801	280,134	206,915	89,020
Forest Reserve Fund	5,382	31,168	31,000	5,550
Chemical Emergency Fund	7,828	52	7,880	-
Tax Maintenance Fund	3,355	10,232	4,554	9,033
Helping Americans Vote Act Fund	223	2	225	-
Domestic Violence Fund	241	217	241	217
Law Enforcement Training Fund	2,528	5,878	6,747	1,659
Sheriff Federal Fund	15,723	23,702	38,693	732
Prosecuting Attorney Tax Fund	74	1	75	-
Prosecuting Attorney Training Fund	235	919	-	1,154
Prosecuting Attorney Bad Check Fund	151	9,227	8,031	1,347
Recorder's Non-Standard Fees Fund	1,523	171	-	1,694
Recorder's Technology Fund	2,238	1,519	-	3,757
Recorder's Users Fees Fund	8,853	2,580	3,138	8,295
Senior Tax Fund	4,703	17,951	19,500	3,154
Sheriff Inmate Security Fund	3,129	10,644	1,713	12,060
Sheriff Fees Fund	3,274	15,116	10,625	7,765
Sheriff Revolving Fund	3,906	9,204	8,494	4,616
South Van Buren Sewer District Fund	45,975	23,303	25,834	43,444
Special Election Fund	25	13,360	13,366	19
Information Technology Grant Fund	-	19,213	19,142	71
Election Fund	724	10	-	734
Law Enforcement Restitution Fund	52,819	22,459	48,374	26,904
Senate Bill 40 Board Fund	9,734	51,277	42,647	18,364
Sidewalk Grant Fund	-	-	-	-
Total	<u>\$ 652,298</u>	<u>\$ 2,363,952</u>	<u>\$ 2,124,998</u>	<u>\$ 891,252</u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Statement of Receipts, Disbursements, and Changes in Cash
All Governmental Funds: Regulatory Basis
For the year ended December 31, 2014

<u>Fund</u>	Cash and Equivalents January 1, 2014	Receipts 2014	Disbursements 2014	Cash and Equivalents December 31, 2014
General Revenue Fund	\$ 66,077	\$ 973,459	\$ 1,019,974	\$ 19,562
Special Road and Bridge Fund	434,978	552,209	542,910	444,277
Assessment Fund	2,298	90,119	92,402	15
Law Enforcement Sales Tax Fund	-	27,082	11,281	15,801
Forest Reserve Fund	262	32,120	27,000	5,382
Chemical Emergency Fund	12,328	593	5,093	7,828
Tax Maintenance Fund	150	9,206	6,001	3,355
Helping Americans Vote Act Fund	944	490	1,211	223
Domestic Violence Fund	196	241	196	241
Law Enforcement Training Fund	6,516	4,478	8,466	2,528
Sheriff Federal Fund	5,095	15,056	4,428	15,723
Prosecuting Attorney Tax Fund	1,386	10	1,322	74
Prosecuting Attorney Training Fund	1,214	730	1,709	235
Prosecuting Attorney Bad Check Fund	4,220	3,522	7,591	151
Recorder's Non-Standard Fees Fund	1,357	166	-	1,523
Recorder's Technology Fund	851	1,387	-	2,238
Recorder's Users Fees Fund	9,535	2,396	3,078	8,853
Senior Tax Fund	2,659	15,844	13,800	4,703
Sheriff Inmate Security Fund	1,237	6,093	4,201	3,129
Sheriff Fees Fund	5,919	9,044	11,689	3,274
Sheriff Revolving Fund	6,192	4,446	6,732	3,906
South Van Buren Sewer District Fund	52,012	21,031	27,068	45,975
Special Election Fund	14	10,162	10,151	25
Information Technology Grant Fund	-	-	-	-
Election Fund	716	8	-	724
Law Enforcement Restitution Fund	51,362	19,866	18,409	52,819
Senate Bill 40 Board Fund	10,331	45,172	45,769	9,734
Sidewalk Grant Fund	38,515	-	38,515	-
Total	\$ 716,364	\$ 1,844,930	\$ 1,908,996	\$ 652,298

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	General Revenue Fund			
	2015		2014	
	Budget	Actual	Budget	Actual
Receipts				
Property Taxes	\$ 51,000	\$ 50,944	\$ 45,000	\$ 41,979
Sales Taxes	515,000	524,539	495,000	518,184
Intergovernmental	226,750	219,627	192,700	219,560
Charges for Services	111,620	120,876	119,376	108,139
Interest	1,200	2,360	1,400	1,206
Other Receipts	84,516	159,819	40,830	46,808
Transfers In	44,302	27,413	55,106	37,583
Total Receipts	<u>\$ 1,034,388</u>	<u>\$ 1,105,578</u>	<u>\$ 949,412</u>	<u>\$ 973,459</u>
Disbursements				
County Commission	\$ 69,800	\$ 70,946	\$ 72,210	\$ 72,882
County Clerk	35,600	36,062	37,181	36,579
Elections	11,750	13,177	39,650	51,799
Buildings and Grounds	28,550	31,414	27,850	29,446
Employee Fringe Benefits	73,600	57,703	71,418	70,876
Treasurer	34,275	34,440	45,962	45,359
Collector	45,700	43,913	44,482	44,153
Recorder of Deeds	50,920	50,008	45,920	46,128
Circuit Clerk	14,583	12,796	15,083	19,887
Court Administration	1,855	2,703	1,188	526
Public Administrator	23,260	22,105	23,735	21,515
Sheriff	215,876	222,179	213,086	220,814
Jail	48,560	50,694	46,760	61,908
Prosecuting Attorney	70,061	66,601	62,244	67,033
Juvenile Officer	34,850	38,872	37,046	34,654
Coroner	12,000	11,432	10,000	11,125
Dispatch	85,000	59,727	86,400	79,393
Other Disbursements	105,252	113,752	59,025	63,360
Transfers Out	46,945	28,745	46,140	42,537
Emergency Fund	28,998	-	28,043	-
Total Disbursements	<u>\$ 1,037,435</u>	<u>\$ 967,269</u>	<u>\$ 1,013,423</u>	<u>\$ 1,019,974</u>
Receipts Over (Under)				
Disbursements	\$ (3,047)	\$ 138,309	\$ (64,011)	\$ (46,515)
Cash, January 1	<u>19,562</u>	<u>19,562</u>	<u>66,077</u>	<u>66,077</u>
Cash, December 31	<u><u>\$ 16,515</u></u>	<u><u>\$ 157,871</u></u>	<u><u>\$ 2,066</u></u>	<u><u>\$ 19,562</u></u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Special Road and Bridge Fund			
	2015		2014	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 125,000	\$ 142,426	\$ 128,583	\$ 124,863
Sales Taxes	-	-	-	-
Intergovernmental	392,500	427,197	402,956	409,419
Charges for Services	100	4,751	100	8,843
Interest	5,000	6,939	7,000	5,835
Other Receipts	-	-	-	-
Transfers In	3,200	-	18,200	3,249
Total Receipts	<u>\$ 525,800</u>	<u>\$ 581,313</u>	<u>\$ 556,839</u>	<u>\$ 552,209</u>
<u>Disbursements</u>				
Salaries	\$ 220,000	\$ 215,900	\$ 220,000	\$ 199,429
Employee Fringe Benefits	63,000	19,148	42,500	19,651
Supplies	127,000	91,660	105,000	106,530
Insurance	-	29,601	40,000	28,065
Road and Bridge Materials	253,000	91,155	254,000	123,545
Equipment Repairs	15,000	2,721	15,000	5,985
Equipment Purchases	90,000	55,922	31,000	-
Road and Bridge Construction	-	-	12,000	-
Other Expenditures	96,000	38,195	64,750	44,705
Transfers Out	20,000	5,000	15,000	15,000
Total Disbursements	<u>\$ 884,000</u>	<u>\$ 549,302</u>	<u>\$ 799,250</u>	<u>\$ 542,910</u>
Receipts Over (Under)				
Disbursements	\$ (358,200)	\$ 32,011	\$ (242,411)	\$ 9,299
Cash, January 1	<u>444,277</u>	<u>444,277</u>	<u>434,978</u>	<u>434,978</u>
Cash, December 31	<u><u>\$ 86,077</u></u>	<u><u>\$ 476,288</u></u>	<u><u>\$ 192,567</u></u>	<u><u>\$ 444,277</u></u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Assessment Fund				Law Enforcement Sales Tax Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Receipts								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	250,000	259,895	-	19,580
Intergovernmental	94,457	94,457	76,902	46,665	-	3,595	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	287	312	150	88	30	679	-	2
Other Receipts	1,600	2,208	12,848	1,078	-	15,965	-	-
Transfers In	31,745	31,745	30,940	42,288	-	-	-	7,500
Total Receipts	<u>\$ 128,089</u>	<u>\$ 128,722</u>	<u>\$ 120,840</u>	<u>\$ 90,119</u>	<u>\$ 250,030</u>	<u>\$ 280,134</u>	<u>\$ -</u>	<u>\$ 27,082</u>
Disbursements								
Salaries	\$ 56,500	\$ 51,793	\$ 47,696	\$ 48,807	\$ 146,000	\$ 145,089	\$ -	\$ 8,612
Employee Fringe Benefits	9,000	6,585	7,147	4,399	12,702	11,218	-	2,669
Materials and Supplies	4,800	3,389	1,701	1,642	2,500	1,928	-	-
Services and Other	21,275	15,729	18,300	17,577	2,298	5,925	-	-
Capital Outlay	11,350	11,324	13,860	7,394	23,801	18,019	-	-
Debt Service	-	-	-	-	15,000	12,236	-	-
Transfers Out	10,802	22,413	24,606	12,583	15,500	12,500	-	-
Total Disbursements	<u>\$ 113,727</u>	<u>\$ 111,233</u>	<u>\$ 113,310</u>	<u>\$ 92,402</u>	<u>\$ 217,801</u>	<u>\$ 206,915</u>	<u>\$ -</u>	<u>\$ 11,281</u>
Receipts Over (Under)								
Disbursements	\$ 14,362	\$ 17,489	\$ 7,530	\$ (2,283)	\$ 32,229	\$ 73,219	\$ -	\$ 15,801
Cash, January 1	<u>15</u>	<u>15</u>	<u>2,298</u>	<u>2,298</u>	<u>15,801</u>	<u>15,801</u>	<u>-</u>	<u>-</u>
Cash, December 31	<u><u>\$ 14,377</u></u>	<u><u>\$ 17,504</u></u>	<u><u>\$ 9,828</u></u>	<u><u>\$ 15</u></u>	<u><u>\$ 48,030</u></u>	<u><u>\$ 89,020</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,801</u></u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Forest Reserve Fund				Chemical Emergency Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	31,000	31,094	32,000	31,961	-	-	3,500	472
Charges for Services	-	-	-	-	-	-	-	-
Interest	200	74	275	159	52	52	50	121
Other Receipts	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 31,200</u>	<u>\$ 31,168</u>	<u>\$ 32,275</u>	<u>\$ 32,120</u>	<u>\$ 52</u>	<u>\$ 52</u>	<u>\$ 3,550</u>	<u>\$ 593</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	1,200	4,831
Services and Other	15,000	15,000	27,045	12,000	7,880	7,880	13,778	262
Capital Outlay	-	-	-	-	-	-	900	-
Transfers Out	16,000	16,000	5,492	15,000	-	-	-	-
Total Disbursements	<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 32,537</u>	<u>\$ 27,000</u>	<u>\$ 7,880</u>	<u>\$ 7,880</u>	<u>\$ 15,878</u>	<u>\$ 5,093</u>
Receipts Over (Under)								
Disbursements	\$ 200	\$ 168	\$ (262)	\$ 5,120	\$ (7,828)	\$ (7,828)	\$ (12,328)	\$ (4,500)
Cash, January 1	<u>5,382</u>	<u>5,382</u>	<u>262</u>	<u>262</u>	<u>7,828</u>	<u>7,828</u>	<u>12,328</u>	<u>12,328</u>
Cash, December 31	<u><u>\$ 5,582</u></u>	<u><u>\$ 5,550</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,382</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,828</u></u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Tax Maintenance Fund				Helping Americans Vote Act Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Receipts								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	9,000	10,149	9,000	9,171	200	-	500	178
Charges for Services	-	-	-	-	-	-	-	-
Interest	35	83	35	35	10	2	7	9
Other Receipts	-	-	-	-	300	-	700	303
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	\$ 9,035	\$ 10,232	\$ 9,035	\$ 9,206	\$ 510	\$ 2	\$ 1,207	\$ 490
Disbursements								
Salaries	\$ -	\$ -	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	840	-	-	-	-	-
Materials and Supplies	700	276	500	330	-	-	-	-
Services and Other	1,150	1,278	1,100	2,671	700	225	2,151	1,211
Capital Outlay	1,500	-	-	-	-	-	-	-
Transfers Out	3,000	3,000	3,000	3,000	-	-	-	-
Total Disbursements	\$ 6,350	\$ 4,554	\$ 8,940	\$ 6,001	\$ 700	\$ 225	\$ 2,151	\$ 1,211
Receipts Over (Under)								
Disbursements	\$ 2,685	\$ 5,678	\$ 95	\$ 3,205	\$ (190)	\$ (223)	\$ (944)	\$ (721)
Cash, January 1	3,355	3,355	150	150	223	223	944	944
Cash, December 31	<u>\$ 6,040</u>	<u>\$ 9,033</u>	<u>\$ 245</u>	<u>\$ 3,355</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223</u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Domestic Violence Fund				Law Enforcement Training Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Receipts								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	250	215	250	240	4,900	3,369	5,000	4,422
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	2	-	1	80	21	85	56
Other Receipts	-	-	-	-	-	2,488	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	\$ 250	\$ 217	\$ 250	\$ 241	\$ 4,980	\$ 5,878	\$ 5,085	\$ 4,478
Disbursements								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 968	\$ -	\$ 1,431
Employee Fringe Benefits	-	-	-	-	-	53	-	330
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	241	241	196	196	7,375	5,726	11,000	6,705
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	\$ 241	\$ 241	\$ 196	\$ 196	\$ 7,375	\$ 6,747	\$ 11,000	\$ 8,466
Receipts Over (Under)								
Disbursements	\$ 9	\$ (24)	\$ 54	\$ 45	\$ (2,395)	\$ (869)	\$ (5,915)	\$ (3,988)
Cash, January 1	241	241	196	196	2,528	2,528	6,516	6,516
Cash, December 31	<u>\$ 250</u>	<u>\$ 217</u>	<u>\$ 250</u>	<u>\$ 241</u>	<u>\$ 133</u>	<u>\$ 1,659</u>	<u>\$ 601</u>	<u>\$ 2,528</u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Sheriff Federal Fund				Prosecuting Attorney Tax Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	7,565	7,565	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	137	137	74	54	1	1	15	10
Other Receipts	-	-	-	2	-	-	-	-
Transfers In	16,000	16,000	5,492	15,000	-	-	-	-
Total Receipts	<u>\$ 23,702</u>	<u>\$ 23,702</u>	<u>\$ 5,566</u>	<u>\$ 15,056</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 15</u>	<u>\$ 10</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 814
Employee Fringe Benefits	-	-	-	-	-	-	-	508
Materials and Supplies	-	-	-	2,153	-	-	1,401	-
Services and Other	3,410	7,693	510	510	75	75	-	-
Capital Outlay	31,000	31,000	5,151	1,765	-	-	-	-
Transfers Out	5,000	-	5,000	-	-	-	-	-
Total Disbursements	<u>\$ 39,410</u>	<u>\$ 38,693</u>	<u>\$ 10,661</u>	<u>\$ 4,428</u>	<u>\$ 75</u>	<u>\$ 75</u>	<u>\$ 1,401</u>	<u>\$ 1,322</u>
Receipts Over (Under)								
Disbursements	\$ (15,708)	\$ (14,991)	\$ (5,095)	\$ 10,628	\$ (74)	\$ (74)	\$ (1,386)	\$ (1,312)
Cash, January 1	<u>15,723</u>	<u>15,723</u>	<u>5,095</u>	<u>5,095</u>	<u>74</u>	<u>74</u>	<u>1,386</u>	<u>1,386</u>
Cash, December 31	<u>\$ 15</u>	<u>\$ 732</u>	<u>\$ -</u>	<u>\$ 15,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74</u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Prosecuting Attorney Training Fund				Prosecuting Attorney Bad Check Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	760	797	850	719	2,400	2,545	8,312	3,500
Charges for Services	-	-	-	-	-	-	-	-
Interest	10	9	12	11	20	12	115	22
Other Receipts	-	113	-	-	-	2,470	-	-
Transfers In	-	-	-	-	6,600	4,200	-	-
Total Receipts	<u>\$ 770</u>	<u>\$ 919</u>	<u>\$ 862</u>	<u>\$ 730</u>	<u>\$ 9,020</u>	<u>\$ 9,227</u>	<u>\$ 8,427</u>	<u>\$ 3,522</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 6,871	\$ 6,369	\$ 7,200	\$ 4,212
Employee Fringe Benefits	-	-	-	-	-	138	627	1,261
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,000	-	1,600	1,709	2,300	1,524	4,800	2,118
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,600</u>	<u>\$ 1,709</u>	<u>\$ 9,171</u>	<u>\$ 8,031</u>	<u>\$ 12,627</u>	<u>\$ 7,591</u>
Receipts Over (Under)								
Disbursements	\$ (230)	\$ 919	\$ (738)	\$ (979)	\$ (151)	\$ 1,196	\$ (4,200)	\$ (4,069)
Cash, January 1	<u>235</u>	<u>235</u>	<u>1,214</u>	<u>1,214</u>	<u>151</u>	<u>151</u>	<u>4,220</u>	<u>4,220</u>
Cash, December 31	<u>\$ 5</u>	<u>\$ 1,154</u>	<u>\$ 476</u>	<u>\$ 235</u>	<u>\$ -</u>	<u>\$ 1,347</u>	<u>\$ 20</u>	<u>\$ 151</u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Recorder's Non-Standard Fees Fund				Recorder's Technology Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	125	150	50	150	1,500	1,478	1,600	1,371
Charges for Services	-	-	-	-	-	-	-	-
Interest	20	21	50	16	20	41	50	16
Other Receipts	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 145</u>	<u>\$ 171</u>	<u>\$ 100</u>	<u>\$ 166</u>	<u>\$ 1,520</u>	<u>\$ 1,519</u>	<u>\$ 1,650</u>	<u>\$ 1,387</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	1,000	-	500	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>
Receipts Over (Under)								
Disbursements	\$ 145	\$ 171	\$ 100	\$ 166	\$ 520	\$ 1,519	\$ 1,150	\$ 1,387
Cash, January 1	<u>1,523</u>	<u>1,523</u>	<u>1,357</u>	<u>1,357</u>	<u>2,238</u>	<u>2,238</u>	<u>851</u>	<u>851</u>
Cash, December 31	<u><u>\$ 1,668</u></u>	<u><u>\$ 1,694</u></u>	<u><u>\$ 1,457</u></u>	<u><u>\$ 1,523</u></u>	<u><u>\$ 2,758</u></u>	<u><u>\$ 3,757</u></u>	<u><u>\$ 2,001</u></u>	<u><u>\$ 2,238</u></u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Recorder's Users Fees Fund				Senior Tax Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 17,500	\$ 17,588	\$ 16,167	\$ 15,436
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,500	2,450	2,700	2,290	250	265	230	310
Charges for Services	-	-	-	-	-	-	-	-
Interest	120	130	100	106	-	98	100	98
Other Receipts	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,620</u>	<u>\$ 2,580</u>	<u>\$ 2,800</u>	<u>\$ 2,396</u>	<u>\$ 17,750</u>	<u>\$ 17,951</u>	<u>\$ 16,497</u>	<u>\$ 15,844</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	3,500	3,138	3,500	3,078	19,500	19,500	19,156	13,800
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,500</u>	<u>\$ 3,138</u>	<u>\$ 3,500</u>	<u>\$ 3,078</u>	<u>\$ 19,500</u>	<u>\$ 19,500</u>	<u>\$ 19,156</u>	<u>\$ 13,800</u>
Receipts Over (Under)								
Disbursements	\$ (880)	\$ (558)	\$ (700)	\$ (682)	\$ (1,750)	\$ (1,549)	\$ (2,659)	\$ 2,044
Cash, January 1	<u>8,853</u>	<u>8,853</u>	<u>9,535</u>	<u>9,535</u>	<u>4,703</u>	<u>4,703</u>	<u>2,659</u>	<u>2,659</u>
Cash, December 31	<u>\$ 7,973</u>	<u>\$ 8,295</u>	<u>\$ 8,835</u>	<u>\$ 8,853</u>	<u>\$ 2,953</u>	<u>\$ 3,154</u>	<u>\$ -</u>	<u>\$ 4,703</u>

See Notes to the Financial Statements

**The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014**

	Sheriff Inmate Security Fund				Sheriff Fees Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	7,000	9,141	5,000	6,066	15,930	11,874	13,500	8,983
Charges for Services	-	-	-	-	-	-	-	-
Interest	25	94	10	27	70	87	65	61
Other Receipts	-	1,409	-	-	-	3,155	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 7,025</u>	<u>\$ 10,644</u>	<u>\$ 5,010</u>	<u>\$ 6,093</u>	<u>\$ 16,000</u>	<u>\$ 15,116</u>	<u>\$ 13,565</u>	<u>\$ 9,044</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,258
Employee Fringe Benefits	-	-	-	-	-	-	-	436
Materials and Supplies	6,500	1,572	-	-	1,300	1,264	-	606
Services and Other	3,300	-	6,247	4,201	2,500	6,206	8,025	3,389
Capital Outlay	200	141	-	-	9,500	3,155	1,194	-
Transfers Out	-	-	-	-	5,500	-	5,000	5,000
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 1,713</u>	<u>\$ 6,247</u>	<u>\$ 4,201</u>	<u>\$ 18,800</u>	<u>\$ 10,625</u>	<u>\$ 14,219</u>	<u>\$ 11,689</u>
Receipts Over (Under)								
Disbursements	\$ (2,975)	\$ 8,931	\$ (1,237)	\$ 1,892	\$ (2,800)	\$ 4,491	\$ (654)	\$ (2,645)
Cash, January 1	<u>3,129</u>	<u>3,129</u>	<u>1,237</u>	<u>1,237</u>	<u>3,274</u>	<u>3,274</u>	<u>5,919</u>	<u>5,919</u>
Cash, December 31	<u>\$ 154</u>	<u>\$ 12,060</u>	<u>\$ -</u>	<u>\$ 3,129</u>	<u>\$ 474</u>	<u>\$ 7,765</u>	<u>\$ 5,265</u>	<u>\$ 3,274</u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Sheriff Revolving Fund				South Van Buren Sewer District Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	5,000	8,360	8,000	4,400	-	-	-	-
Charges for Services	-	-	-	-	22,500	22,701	26,750	20,500
Interest	50	84	70	46	450	602	520	531
Other Receipts	-	760	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 5,050</u>	<u>\$ 9,204</u>	<u>\$ 8,070</u>	<u>\$ 4,446</u>	<u>\$ 22,950</u>	<u>\$ 23,303</u>	<u>\$ 27,270</u>	<u>\$ 21,031</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	2,406	1,067	-	-	-	-	500	-
Services and Other	-	-	2,500	1,732	6,150	7,754	5,650	4,959
Capital Outlay	1,550	2,427	-	-	22,400	3,152	19,400	7,181
Debt Service	-	-	-	-	14,928	14,928	14,928	14,928
Transfers Out	5,000	5,000	5,000	5,000	-	-	-	-
Total Disbursements	<u>\$ 8,956</u>	<u>\$ 8,494</u>	<u>\$ 7,500</u>	<u>\$ 6,732</u>	<u>\$ 43,478</u>	<u>\$ 25,834</u>	<u>\$ 40,478</u>	<u>\$ 27,068</u>
Receipts Over (Under)								
Disbursements	\$ (3,906)	\$ 710	\$ 570	\$ (2,286)	\$ (20,528)	\$ (2,531)	\$ (13,208)	\$ (6,037)
Cash, January 1	<u>3,906</u>	<u>3,906</u>	<u>6,192</u>	<u>6,192</u>	<u>45,975</u>	<u>45,975</u>	<u>52,012</u>	<u>52,012</u>
Cash, December 31	<u>\$ -</u>	<u>\$ 4,616</u>	<u>\$ 6,762</u>	<u>\$ 3,906</u>	<u>\$ 25,447</u>	<u>\$ 43,444</u>	<u>\$ 38,804</u>	<u>\$ 45,975</u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Special Election Fund				Information Technology Grant Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	13,342	-	10,156	10,000	9,213	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	18	-	6	-	-	-	-
Other Receipts	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	10,000	10,000	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 13,360</u>	<u>\$ -</u>	<u>\$ 10,162</u>	<u>\$ 20,000</u>	<u>\$ 19,213</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	13,366	-	10,151	-	-	-	-
Capital Outlay	-	-	-	-	20,000	19,142	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 13,366</u>	<u>\$ -</u>	<u>\$ 10,151</u>	<u>\$ 20,000</u>	<u>\$ 19,142</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over (Under)								
Disbursements	\$ -	\$ (6)	\$ -	\$ 11	\$ -	\$ 71	\$ -	\$ -
Cash, January 1	<u>25</u>	<u>25</u>	<u>14</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, December 31	<u><u>\$ 25</u></u>	<u><u>\$ 19</u></u>	<u><u>\$ 14</u></u>	<u><u>\$ 25</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 71</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to the Financial Statements

**The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014**

	Election Fund				Law Enforcement Restitution Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	19,500	13,454	27,000	19,254
Charges for Services	-	-	-	-	-	-	-	-
Interest	6	10	9	8	500	395	500	612
Other Receipts	-	-	-	-	-	1,110	-	-
Transfers In	-	-	-	-	7,500	7,500	-	-
Total Receipts	<u>\$ 6</u>	<u>\$ 10</u>	<u>\$ 9</u>	<u>\$ 8</u>	<u>\$ 27,500</u>	<u>\$ 22,459</u>	<u>\$ 27,500</u>	<u>\$ 19,866</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 738
Employee Fringe Benefits	-	-	-	-	-	-	-	111
Materials and Supplies	730	-	725	-	73,400	34,174	74,862	4,185
Services and Other	-	-	-	-	-	-	-	5,875
Capital Outlay	-	-	-	-	-	10,000	-	-
Transfers Out	-	-	-	-	6,600	4,200	4,000	7,500
Total Disbursements	<u>\$ 730</u>	<u>\$ -</u>	<u>\$ 725</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 48,374</u>	<u>\$ 78,862</u>	<u>\$ 18,409</u>
Receipts Over (Under)								
Disbursements	\$ (724)	\$ 10	\$ (716)	\$ 8	\$ (52,500)	\$ (25,915)	\$ (51,362)	\$ 1,457
Cash, January 1	<u>724</u>	<u>724</u>	<u>716</u>	<u>716</u>	<u>52,819</u>	<u>52,819</u>	<u>51,362</u>	<u>51,362</u>
Cash, December 31	<u>\$ -</u>	<u>\$ 734</u>	<u>\$ -</u>	<u>\$ 724</u>	<u>\$ 319</u>	<u>\$ 26,904</u>	<u>\$ -</u>	<u>\$ 52,819</u>

See Notes to the Financial Statements

The County of Carter
Van Buren, Missouri
Comparative Statement of Receipts, Disbursements, and Changes in Cash
Budget and Actual, All Governmental Funds: Regulatory Basis
For the years ended December 31, 2015 & 2014

	Senate Bill 40 Board Fund				Sidewalk Grant Fund			
	2015		2014		2015		2014	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Receipts								
Property Taxes	\$ 46,000	\$ 51,225	\$ 54,000	\$ 45,124	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	50	52	50	48	-	-	-	-
Other Receipts	1,000	-	1,000	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 47,050</u>	<u>\$ 51,277</u>	<u>\$ 55,050</u>	<u>\$ 45,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Disbursements								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	47,050	42,647	48,780	45,769	-	-	38,515	38,515
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 47,050</u>	<u>\$ 42,647</u>	<u>\$ 48,780</u>	<u>\$ 45,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,515</u>	<u>\$ 38,515</u>
Receipts Over (Under)								
Disbursements	\$ -	\$ 8,630	\$ 6,270	\$ (597)	\$ -	\$ -	\$ (38,515)	\$ (38,515)
Cash, January 1	<u>9,734</u>	<u>9,734</u>	<u>10,331</u>	<u>10,331</u>	<u>-</u>	<u>-</u>	<u>38,515</u>	<u>38,515</u>
Cash, December 31	<u>\$ 9,734</u>	<u>\$ 18,364</u>	<u>\$ 16,601</u>	<u>\$ 9,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements

**The County of Carter
Van Buren, Missouri
Notes to the Financial Statements
For the years ended December 31, 2015 & 2014**

Note 1 - Summary of Significant Accounting Policies

Organized in 1859, the county of Carter was formed from parts of Ripley, Shannon and Wayne Counties and was named after Zimri A. Carter, the first settler. Carter County is a county-organized, third-class county and is part of the Thirty-Seventh Judicial Circuit. The county seat is Van Buren. Carter County's government is composed of a three-member county commission and the following separately elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note 1, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Carter County, Missouri, the Carter County Senior Citizens Service Board, and the Carter County Senate Bill 40 Board.

Carter County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Carter County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise Carter County's legal entity. The Carter County Senior Citizens Service Board and the Carter County Senate Bill 40 Board are controlled by separate boards and are also included under the control of Carter County.

Certain elected County officials, such as the County Collector, Treasurer, and Sheriff, collect and hold monies in a trustee capacity as an agent of an individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and are unaudited.

Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Carter County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the County. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the County's general operation fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

Basis of Accounting

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**The County of Carter
Van Buren, Missouri
Notes to the Financial Statements
For the years ended December 31, 2015 & 2014**

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Carter County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budget and Budgetary Accounting

In accordance with Chapter 50 RSMo, Carter County adopts a budget for each governmental fund.

On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.

Prior to February 1, the budget is legally enacted by a vote of the County Commission.

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.

Budgets are prepared and adopted on the cash basis of accounting.

During our audit, we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. The following funds had actual expenditures that exceeded the budgeted expenditures in 2014: General Revenue Fund and Prosecuting Attorney Training Fund. We noted the following funds without a prepared budget for 2015: Special Election Fund. We noted the following funds without a prepared budget for 2014: Special Election Fund and Law Enforcement Sales Tax Fund.

**The County of Carter
Van Buren, Missouri
Notes to the Financial Statements
For the years ended December 31, 2015 & 2014**

Note 1 - Summary of Significant Accounting Policies (continued)

Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within Carter County's boundaries for the calendar year 2015 and 2014, respectively, for the purposes of County taxation was as follows:

	2015	2014
Real Estate	\$ 48,350,530	\$ 46,458,000
Personal Property	14,687,594	14,287,298
Railroad and Utilities	1,011,732	1,134,116
	<u>\$ 64,049,856</u>	<u>\$ 61,879,414</u>

The tax levy per \$100 assessed valuation of tangible taxable property for the calendar year 2015 and 2014, respectively, for the purpose of County taxation, was as follows:

	2015	2014
General Revenue	\$ 0.1276	\$ 0.0702
Special Road and Bridge	0.2173	0.2203
Senate Bill 40 Board	0.0771	0.0782
Senior Citizens Service Board	0.0271	0.0275

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Carter County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

Interfund Transactions

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

**The County of Carter
Van Buren, Missouri
Notes to the Financial Statements
For the years ended December 31, 2015 & 2014**

Note 1 - Summary of Significant Accounting Policies (continued)

Interfund Transactions (continued)

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

Note 2 - Deposits and Investments

Carter County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as "Cash and Equivalents".

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. As of December 31, 2015, 100% of Carter County's deposits and investments were covered by the Federal Deposit Insurance Corporation (FDIC) or were collateralized.

The bank balances and carrying values of deposits and investments shown below are included in the financial statements at December 31, 2015, as follows:

	<u>Bank Balances</u>	<u>Carrying Value</u>
Deposits	\$ 1,150,403	\$ 891,252
Investments	-	-
Restricted Cash	-	-
	<hr/>	<hr/>
Total Deposits and Investments as of December 31, 2015	<u><u>\$ 1,150,403</u></u>	<u><u>\$ 891,252</u></u>

The bank balances and carrying values of deposits and investments shown below are included in the financial statements at December 31, 2014, as follows:

	<u>Bank Balances</u>	<u>Carrying Value</u>
Deposits	\$ 878,018	\$ 652,298
Investments	-	-
Restricted Cash	-	-
	<hr/>	<hr/>
Total Deposits and Investments as of December 31, 2014	<u><u>\$ 878,018</u></u>	<u><u>\$ 652,298</u></u>

Note: Bank balances are inclusive of all funds of Carter County, and as such, include balances of unaudited funds which are not included in the scope of this report.

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Carter County's investment policy does not include custodial credit risk requirements. Carter County's deposits were not exposed to custodial credit risk for the years ended December 31, 2015 and 2014.

**The County of Carter
Van Buren, Missouri
Notes to the Financial Statements
For the years ended December 31, 2015 & 2014**

Note 2 - Deposits and Investments (continued)

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Carter County or its agent but not in the government's name. Carter County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Carter County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Carter County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of investment credit risk is required to be disclosed by Carter County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U. S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Carter County has no policy in place to minimize the risk of loss resulting from over concentration of assets of a specific maturity, specific issuer or specific class of securities. Carter County's deposits were not exposed to concentration of investment credit risk for the years ended December 31, 2015 and 2014.

Note 3 - Interfund Transfers

Transfers between funds for the years ended December 31, 2015 and 2014 are as follows:

Fund	2015		2014	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Revenue	\$ 27,413	\$ 28,745	\$ 37,583	\$ 42,537
Special Road and Bridge	-	5,000	3,249	15,000
Assessment	31,745	22,413	42,288	12,583
Law Enforcement Sales Tax	-	12,500	7,500	-
Forest Reserve	-	16,000	-	15,000
Tax Maintenance	-	3,000	-	3,000
Sheriff Federal	16,000	-	15,000	-
Prosecuting Attorney Bad Check	4,200	-	-	-
Sheriff Fees	-	-	-	5,000
Sheriff Revolving	-	5,000	-	5,000
Information Technology Grant	10,000	-	-	-
Law Enforcement Restitution	7,500	4,200	-	7,500
Total	<u>\$ 96,858</u>	<u>\$ 96,858</u>	<u>\$ 105,620</u>	<u>\$ 105,620</u>

The County of Carter
Van Buren, Missouri
Notes to the Financial Statements
For the years ended December 31, 2015 & 2014

Note 4 - Long-Term Debt

Promissory Notes

In 2009, Carter County signed a promissory note in the amount of \$160,000 for the expansion of the Carter County Justice Center. The promissory note requires monthly payments of \$880 ending September 2033, which includes interest of 4.25%.

Balance at Dec. 31, 2013	Amount Borrowed	Amount Repaid	Balance at Dec. 31, 2014	Amount Borrowed	Amount Repaid	Balance at Dec. 31, 2015
\$ 141,081	\$ -	\$ (4,644)	\$ 136,437	\$ -	\$ (4,845)	\$ 131,592

Interest expense for the years ended December 31, 2015 and 2014 was \$5,715 and \$5,916, respectively.

2015 Amortization
Justice Center Promissory Note

Year	Principal	Interest	Total
2016	\$ 5,040	\$ 5,520	\$ 10,560
2017	5,274	5,286	10,560
2018	5,503	5,057	10,560
2019	5,742	4,818	10,560
2020	5,978	4,582	10,560
2021-2025	34,080	18,720	52,800
2026-2030	42,152	10,648	52,800
2031-2033	27,823	1,217	29,040
	<u>\$ 131,592</u>	<u>\$ 55,848</u>	<u>\$ 187,440</u>

2014 Amortization
Justice Center Promissory Note

Year	Principal	Interest	Total
2015	\$ 4,845	\$ 5,715	\$ 10,560
2016	5,040	5,520	10,560
2017	5,274	5,286	10,560
2018	5,503	5,057	10,560
2019	5,742	4,818	10,560
2020-2024	32,649	20,151	52,800
2025-2029	40,398	12,402	52,800
2030-2033	36,986	2,614	39,600
	<u>\$ 136,437</u>	<u>\$ 61,563</u>	<u>\$ 198,000</u>

The County of Carter
Van Buren, Missouri
Notes to the Financial Statements
For the years ended December 31, 2015 & 2014

Note 4 - Long-Term Debt (continued)

Promissory Notes (continued)

In 2015, Carter County signed a promissory note in the amount of \$80,000 for a building to be used by the Sheriff's Office. The promissory note required a \$10,000 down payment and monthly payments of \$2,000 ending May 2018, which includes interest of 0%.

Balance at Dec. 31, 2013	Amount Borrowed	Amount Repaid	Balance at Dec. 31, 2014	Amount Borrowed	Amount Repaid	Balance at Dec. 31, 2015
\$ -	\$ -	\$ -	\$ -	\$ 80,000	\$ (22,000)	\$ 58,000

Interest expense for the years ended December 31, 2015 and 2014 was \$0 and \$0, respectively.

2015 Amortization Sheriff Building Promissory Note			
Year	Principal	Interest	Total
2016	\$ 24,000	\$ -	\$ 24,000
2017	24,000	-	24,000
2018	10,000	-	10,000
	<u>\$ 58,000</u>	<u>\$ -</u>	<u>\$ 58,000</u>

Revenue Bonds

In 2000, the South Van Buren County Sewer District issued \$250,000 in Revenue Bonds for the purpose of financing capital projects. Principal payments are due in monthly installments of \$1,244 through May 2033. Interest is paid at 4.5%.

The Carter County Commissioners serve as the South Van Buren County Sewer District trustees. The County is charged with approving certain expenditures and making all revenue bond payments on behalf of the Sewer District.

Balance at Dec. 31, 2013	Amount Borrowed	Amount Repaid	Balance at Dec. 31, 2014	Amount Borrowed	Amount Repaid	Balance at Dec. 31, 2015
\$ 192,927	\$ -	\$ (6,361)	\$ 186,566	\$ -	\$ (6,653)	\$ 179,913

Interest expense for the years ended December 31, 2015 and 2014 was 8,275 and \$8,567, respectively.

The County of Carter
Van Buren, Missouri
Notes to the Financial Statements
For the years ended December 31, 2015 & 2014

Note 4 - Long-Term Debt (continued)

Revenue Bonds (continued)

2015 Amortization			
Sewer System Revenue Bonds Series 2000			
Year	Principal	Interest	Total
2016	\$ 6,937	\$ 7,991	\$ 14,928
2017	7,279	7,649	14,928
2018	7,614	7,314	14,928
2019	7,965	6,963	14,928
2020	8,312	6,616	14,928
2021-2025	47,753	26,887	74,640
2026-2030	59,808	14,832	74,640
2031-2033	34,245	1,831	36,076
	<u>\$ 179,913</u>	<u>\$ 80,083</u>	<u>\$ 259,996</u>

2014 Amortization			
Sewer System Revenue Bonds Series 2000			
Year	Principal	Interest	Total
2015	\$ 6,653	\$ 8,275	\$ 14,928
2016	6,937	7,991	14,928
2017	7,279	7,649	14,928
2018	7,614	7,314	14,928
2019	7,965	6,963	14,928
2020-2024	45,634	29,006	74,640
2025-2029	57,176	17,464	74,640
2030-2033	47,308	3,696	51,004
	<u>\$ 186,566</u>	<u>\$ 88,358</u>	<u>\$ 274,924</u>

Long-Term Lease

In 2016, Carter County entered into a non-cancelable lease agreement for a new vehicle for the Sheriff's department. The agreement requires 9 quarterly payments of \$3,000 and one quarterly payment of \$1,428 ending August 2018, which includes interest of 4.25%.

Balance at Dec. 31, 2013	Amount Borrowed	Amount Repaid	Balance at Dec. 31, 2014	Amount Borrowed	Amount Repaid	Balance at Dec. 31, 2015
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest expense for the years ended December 31, 2015 and 2014 was \$0 and \$0, respectively.

**The County of Carter
Van Buren, Missouri
Notes to the Financial Statements
For the years ended December 31, 2015 & 2014**

Note 4 - Long-Term Debt (continued)

Long-Term Lease (continued)

2015 Amortization Sheriff Vehicle Lease			
Year	Principal	Interest	Total
2016	\$ 8,241	\$ 759	\$ 9,000
2017	11,378	622	12,000
2018	7,288	140	7,428
	<u>\$ 26,907</u>	<u>\$ 1,521</u>	<u>\$ 28,428</u>

Note 5 - County Employees' Retirement Fund (CERF)

Plan Description

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees. The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Section 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and the prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active eligible member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employees' Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-877-632-2373.

**The County of Carter
Van Buren, Missouri
Notes to the Financial Statements
For the years ended December 31, 2015 & 2014**

Note 5 - County Employees' Retirement Fund (CERF) (continued)

Funding Policy

In accordance with Missouri state statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 are required to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in CERF. During 2015 and 2014, the County collected and remitted to CERF, employee contributions of \$76,634 and \$58,242, respectively, for the years then ended.

Note 6 - Prosecuting Attorney Retirement Fund

In accordance with state statute Chapter 56.807 RSMo, Carter County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys' and Circuit Attorneys' Retirement System. Once remitted, the State of Missouri is responsible for administration of this plan. Carter County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2015 and 2014.

Note 7 - Post-Employment Benefits

Carter County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by Carter County.

Note 8 - Claims, Commitments and Contingencies

Litigation

The County is subject to various claims and legal proceeding covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime, if applicable. These have not been subjected to auditing procedures.

Federal and State Assisted Programs

The County receives proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned. Such audits could result in refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

**The County of Carter
Van Buren, Missouri
Notes to the Financial Statements
For the years ended December 31, 2015 & 2014**

Note 9 - Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is also a member of the Missouri Association of Counties Self-Injured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$500,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

Note 10 - Subsequent Events

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 11, 2016 the date the financial statements, were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission and
Officeholders of Carter County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Carter County, Missouri, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Carter County, Missouri's basic financial statements and have issued our report thereon dated July 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carter County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carter County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Carter County, Missouri's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 15/14-002 and 15/14-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carter County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

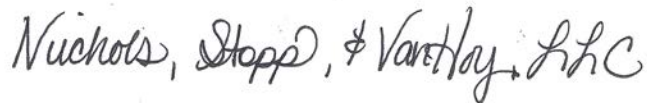
opinion. The results of our tests disclosed an instance of noncompliance and other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 15/14-001.

Carter County, Missouri's Response to Findings

Carter County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Carter County, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Creve Coeur, Missouri
July 11, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

To the County Commission and
Officeholders of Carter County, Missouri

Report on Compliance for Each Major Federal Program

We have audited Carter County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Carter County, Missouri's major federal programs for the years ended December 31, 2015 and 2014. Carter County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carter County, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carter County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Carter County, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, Carter County, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2015 and 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 15/14-004. Our opinion on each major federal program is not modified with respect to these matters.

Carter County, Missouri's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Carter County,

Missouri's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Carter County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carter County, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carter County, Missouri's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 15/14-004, that we consider to be a significant deficiency.

Carter County, Missouri's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Carter County, Missouri's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Nichols, Stopp, & VanHay, LLC

Creve Coeur, Missouri
July 11, 2016

**The County of Carter
Van Buren, Missouri
Schedule of Expenditures of Federal Awards
For the years ended December 31, 2015 & 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures Year Ended December 31,	
			2015	2014
U.S. Department of Agriculture				
Passed through state:				
Office of Administration -				
Schools and Roads - Grants to States	10.665	n/a	\$ 362,930	\$ 347,210
Community Facilities Loans & Grants	10.766	n/a	9,213	-
Total U.S. Department of Agriculture			372,143	347,210
U.S. Department of the Interior				
Direct Program:				
Payments in Lieu of Taxes	15.226	n/a	144,028	130,890
U.S. Department of Justice				
Passed through state:				
Department of Public Safety -				
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-LLEBG-013	6,728	-
U.S Department of Transportation				
Passed through state:				
Highway and Transportation Commission -				
Highway Planning and Construction	20.205	STP-9900(953)	-	38,515
University of Central Missouri -				
National Priority Safety Programs	20.616	n/a	1,082	-
Total U.S. Department of Transportation			1,082	38,515
Total Expenditures of Federal Awards			\$ 523,981	\$ 516,615

**The County of Carter
Van Buren, Missouri
Notes to the Schedule of Expenditures of Federal Awards
For the years ended December 31, 2015 & 2014**

Note 1 - Summary of Significant Accounting Policies

Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of *OMB Circular A-133*. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Carter County, Missouri.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2 - Subrecipients

The County passed through \$248,877 and \$236,437 of federal funds related to the Schools and Roads - Grants to States (CFDA #10.665) to local schools for the years ended December 31, 2015 and 2014, respectively.

The federal funds passed through to local schools listed above are not included as revenues or expenditures on the financial statements as they are reported in fiduciary funds on which the auditors were not engaged to report.

**The County of Carter
Van Buren, Missouri
Schedule of Findings and Questioned Costs
For the years ended December 31, 2015 & 2014**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified Regulatory Basis

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are
not considered to be material weaknesses?

 X Yes _____ None Reported

Any noncompliance material to financial
statements noted?

 X Yes _____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified
not considered to be material weaknesses?

 X Yes _____ None Reported

Type of auditor's report issued on
compliance for major programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with section 510 (a) of Circular A-133?

 X Yes _____ No

Identification of Major Programs:

CFDA
Number
10.665

Name of Federal Program or Cluster
Schools and Roads - Grants to States

Dollar threshold used to distinguish
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

**The County of Carter
Van Buren, Missouri
Schedule of Findings and Questioned Costs
For the years ended December 31, 2015 & 2014**

Section 2 - Financial Statement Findings

15/14-001 **Condition:** During our audit, we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. The following funds had actual expenditures that exceeded the budgeted expenditures in 2014: General Revenue Fund and Prosecuting Attorney Training Fund. We noted the following funds without a prepared budget for 2015: Special Election Fund. We noted the following funds without a prepared budget for 2014: Special Election Fund and Law Enforcement Sales Tax Fund.

Criteria: Missouri statutes require Counties to prepare an annual budget and expenditures are not to exceed the budget.

Effect: Missouri statutes require Counties to prepare an annual balanced budget, and expenditures are not to exceed the budget. Due to exceeding budget and not preparing a budget in certain funds, the County is in violation of Missouri Revised Statutes.

Cause: Oversight

Recommendation: We recommend that the County adopt a budget for all funds, and periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: The County Clerk will perform a detailed review of budgetary schedules and actual expenditures in order to ensure budgetary compliance, and amendments to the budget will be prepared and approved by the County Commission, if necessary. The phone number for the Clerk's office is (573) 323-4527.

15/14-002 **Condition:** Documentation of the County's internal controls was not prepared until January 2015.

Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, as amended by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Effect: Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Management did not prepare documentation of internal controls until January 2015.

Recommendation: Now that this documentation is complete, management and those charged with governance have a responsibility to understand the controls and ensure they are operating effectively. In addition, we recommend management continue to review the COSO internal control guidance on a regular basis and update the documentation of internal controls as needed.

Management's Response: The County Clerk prepared the needed documentation to document their internal control structure in conformity with the COSO framework in January 2015. The Clerk's office can be reached at (573) 323-4527.

**The County of Carter
Van Buren, Missouri
Schedule of Findings and Questioned Costs
For the years ended December 31, 2015 & 2014**

Section 2 - Financial Statement Findings (continued)

15/14-003 **Condition:** During our audit, we noted a formal fraud risk assessment was not prepared until January 2015.

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Effect: Lack of an appropriate fraud risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management did not prepare documentation of risk assessments, including identifying risks and mitigating controls until January 2015.

Recommendation: We recommend that the County continue to address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze, and manage these risks.

Management's Response: The County Clerk developed and performed the risk assessment in 2015. This is now included in the documentation of internal control in conformity with the COSO framework. The Clerk's office can be reached at (573) 323-4527.

Section 3 - Federal Award Findings and Questioned Costs

15/14-004 Federal Grantor: All Programs
Pass-Through Grantor: All Programs
Federal CFDA Number: All Programs
Program Title: All Programs

Condition: The Schedule of Expenditures of Federal Awards (SEFA) contained errors.

Criteria: OMB Circular A-133 requires auditees to prepare an accurate SEFA containing awards expended, CFDA title and number, award number, name of the Federal agency, and name of the pass-through entity.

Effect: Federal expenditures reported in the SEFA were incorrect.

Cause: Management did not follow reporting requirements related to the Schedule of Expenditures of Federal Awards.

Recommendation: We recommend management develop internal controls over reporting and consult with outside accountants, if possible, to ensure an accurate SEFA is prepared.

Management's Response: OMB Circular A-133 is being reviewed and training sessions will be initiated by the County Clerk's office. The County Clerk is working towards capturing grant transactions in a manner sufficient to readily report the necessary information required on the SEFA by the next audit period. The County Clerk's office phone number is (573) 323-4527.

**The County of Carter
Van Buren, Missouri
Follow-Up to Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with Governmental Auditing Standards**

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Carter County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2011.

Prior Year Financial Statement Findings

11/10-1 **Condition:** During the current year, it was necessary for the auditors of the County to assist with the preparation of the external financial statements and the notes to financial statements.

Effect: Without the assistance of the auditors preparing the external financial statements, management may be unable to review and take responsibility of the financial statements and notes.

Cause: Due to increasing financial reporting requirements management of the County is unable to prepare the external financial statements and notes without the assistance of the auditors.

Recommendation: We recommend the County either provide training to current management, hire additional staff who possess the accounting skills needed to prepare and review the external financial statements, or contract with an outside accountant to prepare and review the external financial statements.

Management's Response: Management will take this under advisement.

Status: This is no longer considered a deficiency.

11/10-2 **Condition:** Documentation of the County's internal controls has not been prepared.

Effect: Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Management has not prepared documentation of internal control.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Clerk and Treasurer will meet to see if we can develop the required documentation.

Status: Management did not correct this issue until January 2015, therefore, the finding is repeated as finding 15/14-002 in the current year.

**The County of Carter
Van Buren, Missouri
Follow-Up to Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with Governmental Auditing Standards**

Prior Year Financial Statement Findings (continued)

11/10-3 **Condition:** During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate audit risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identifying risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze, and manage these risks.

Management's Response: Will advise Commission this needs to be done.

Status: Management did not correct this issue until January 2015, therefore, the finding is repeated as finding 15/14-003 in the current year.

11/10-4 **Condition:** During our audit, we noted funds with actual expenditures that exceeded the budgeted expenditures, did not have an adopted budget, or were deficit budgeted.

Effect: Missouri Statutes requires Counties to prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding budget in certain funds, the County is in violation of Missouri Revised Statutes.

Cause: Oversight

Recommendation: We recommend that the County adopt a budget for all funds, and periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: We will revise budgets during 2012 as needed.

Status: Management has not corrected this issue and the finding is repeated as finding 15/14-001 in the current year.

**The County of Carter
Van Buren, Missouri
Follow-Up to Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with Governmental Auditing Standards**

Prior Year Federal Award Findings and Questioned Cost

11/10-5 **Condition:** The Schedule of Expenditures of Federal Awards (SEFA) contained errors.

Criteria: OMB Circular A-133 requires auditees to prepare an accurate SEFA containing awards expended, CFDA title and number, award number, name of the Federal agency, and name of the pass-through entity.

Cause: Management was unaware of the reporting requirements related to the Schedule of Expenditures of Federal Awards.

Effect: Federal expenditures reported on the SEFA were incorrect.

Recommendation: We recommend that management develop internal controls over reporting and consult with outside accountants when needed to ensure an accurate SEFA is prepared.

Management's Response: We will try to do better.

Status: Management has not corrected this issue and the finding is repeated as finding 15/14-004 in the current year.



Office of Missouri State Auditor
Nicole Galloway, CPA

Higher Education



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Department of Higher Education

Student Financial Assistance Programs

The Missouri Department of Higher Education (MDHE) does not have sufficient procedures to ensure scholarships and financial assistance paid on students' behalf comply with program guidelines. The MDHE administers 11 scholarship and financial assistance programs. The largest programs are the Higher Education Academic Scholarship (Bright Flight), A+ Scholarship and Access Missouri Financial Assistance programs. MDHE relies on a department database, the Financial Assistance for Missouri Undergraduate Students (FAMOUS) system, to administer programs but does not sufficiently monitor the validity of data provided by institutions to support eligibility. Additionally, the MDHE does not periodically test the student eligibility determinations made by schools and related documentation or review schools' procedures for making the determinations. Auditors tested payments made on behalf of 60 students. Three of 30 A+ Scholarship payments reviewed exceeded amounts allowable under department regulations because the tuition rate exceeded the maximum allowable rate, the payment was related to coursework from which a student subsequently withdrew, or the student had exceeded the eligibility timeframe.

Advantage Missouri

The Advantage Missouri Loan Program was established in 1998 to provide forgivable loans to students in approved educational programs who became employed in the state in certain occupational areas of high demand. For each year of employment, one year of the loan would be forgiven. The MDHE has made no new loans since 2005, and now only receives payments on outstanding loans. The standard repayment term is 10 years. MDHE lacks procedures to monitor and resolve amounts due on defaulted loans, and of approximately \$8 million issued to 2,041 students, about \$5.2 million remains unpaid. The MDHE drafted program operating rules to supplement the loan contract, which broadly outlined issues regarding qualifications and terms, but did not officially adopt and promulgate those rules. MDHE personnel indicated borrowers were notified of loan terms before repayment was required, but the MDHE has not followed up on accounts in default status and does not know the current status of each outstanding loan or whether the loan is collectible.

User Account Management

The MDHE lacks sufficient procedures to ensure access to student financial aid data or other sensitive information is protected. The department's database system, FAMOUS, contains confidential student information such as social security numbers, financial assistance history and test scores. Employees of high schools, colleges and universities may access information in the FAMOUS system. Users submit a user agreement to MDHE, which is signed by the user and by an institutional representative. The department checks the user's title for reasonableness but lacks procedures to ensure the institutional representative was the appropriate individual to authorize FAMOUS access. Written agreements would establish the names and titles of individuals at each institution authorized to sign user agreements as the institutional representative and require prompt notification to the MDHE of individuals no longer needing system access.

Board Meeting Minutes	The MDHE did not always comply with the Sunshine Law. The department does not prepare minutes for Coordinating Board for Higher Education (CBHE) work sessions, although sessions constitute public meetings. The CBHE also held two closed minutes in 2013 but did not maintain minutes for one closed meeting and did not record in public minutes certain required information, such as the reason for entering closed session.
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In the areas audited, the overall performance of this entity was Fair.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Department of Higher Education

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. Jay Nixon, Governor
and
Coordinating Board for Higher Education
and
Leroy Wade, Interim Commissioner
Department of Higher Education
Jefferson City, Missouri

We have audited certain operations of the Department of Higher Education, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2015 and 2014. The objectives of our audit were to:

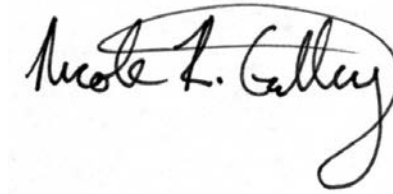
1. Evaluate the department's internal controls over significant management and financial functions.
2. Evaluate the department's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Higher Education.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written between the first and last names.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	John Lieser, CPA
In-Charge Auditor:	Corey McComas, M.Acct., CPA
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	Albert Borde-Koufie, MBA
	Keisha Williams

Department of Higher Education

Management Advisory Report

State Auditor's Findings

1. Student Financial Assistance Programs

The Missouri Department of Higher Education (MDHE) does not have sufficient procedures and controls in place to ensure scholarships and financial assistance paid to colleges on students' behalf are permitted by program guidelines.

Background

The MDHE administers 11 scholarship and financial assistance programs with expenditures totaling approximately \$112 million and \$108 million in the fiscal years ended on June 30, 2015, and 2014, respectively. The largest programs are the Higher Education Academic Scholarship (Bright Flight), A+ Scholarship (A+), and Access Missouri Financial Assistance programs (Access Missouri). Awards from each program are made to eligible students attending a Missouri college, vocational school, or university. The Bright Flight program is merit-based for students who score in the top 5 percent of all Missouri students on the American College Testing (ACT) or Scholastic Aptitude Test (SAT) tests. The maximum award is \$3,000 per year. The A+ program reimburses colleges and vocational schools on behalf of eligible students for tuition costs with awards reduced by non-loan federal financial aid. The student must graduate from qualifying A+ designated high schools and attend public community colleges or vocational schools in Missouri. The Access Missouri program is need-based for students attending public or private colleges or universities. Amounts awarded are generally less than \$1,000 per semester and depend upon the student's family income. For each program, certain other eligibility requirements exist, including maintaining minimum grade point averages (GPA) to renew the award in subsequent semesters.

The MDHE and the institutions use the department's Financial Assistance for Missouri Undergraduate Students (FAMOUS) computer system for administration of the financial aid programs. For the Bright Flight and Access Missouri programs, each semester the MDHE establishes the initial list of eligible students based on the relevant student test scores (Bright Flight) from the ACT or SAT College Board and student financial resources (Access Missouri) from Free Application for Federal Student Assistance (FAFSA) forms completed by students. The schools certify the students have met the full-time enrollment requirements and other eligibility requirements. For the A+ program, each semester the colleges determine the eligible students and award amounts based on MDHE's program requirements and enter those students and amounts into FAMOUS. The MDHE disburses amounts to the schools based on eligible students and amounts in FAMOUS after certification by the schools.

Lack of Oversight

The MDHE does not sufficiently monitor the validity of data provided by colleges and universities to support student eligibility determinations, and the MDHE does not periodically test these determinations and related documentation or review the procedures used by the schools to make the



Department of Higher Education
Management Advisory Report - State Auditor's Findings

determinations. The MDHE has edit checks¹ programmed in FAMOUS to detect duplicated awards or part-time enrollment, and queries of FAMOUS data are performed biannually before processing payments to remove students becoming ineligible based on non-continuous semester enrollment or exceeding the maximum number of allowed awards when applicable to the award program. However, the MDHE has not implemented procedures to ensure that other data entered into FAMOUS by the colleges and universities are valid or within program parameters.

For example, for A+ program awards, the MDHE does not ensure the mathematical accuracy of the award amount from the data entered by colleges and vocational schools for credit hours, tuition rates, and non-loan financial aid. In addition, the FAMOUS system has no edits to ensure tuition rates are within the allowable maximum. Other student information used in eligibility determinations, such as GPA and enrolled and withdrawn coursework, is maintained by the colleges and universities and not recorded in FAMOUS. The MDHE does not obtain or test the validity of this information to verify a students' eligibility. Also, the MDHE does not review the eligibility determination procedures used by the colleges and universities to ensure all relevant factors are consistently and properly considered. For the A+ program, the colleges and vocational schools are more principally involved in the eligibility determinations than the other 2 major student aid programs, consequently verification procedures by the MDHE are more important for that program.

Test Results

We tested financial aid payments to colleges and universities on behalf of 60 students for Bright Flight and A+ scholarships and Access Missouri awards using information on FAMOUS and supporting documentation provided by the schools. Of the 60 tested payments, 30 payments totaling \$38,415 were A+ scholarships. We noted 3 of 30 (10 percent) A+ scholarship payments, totaling \$1,230, were not allowable according to MDHE regulations or state law:

- The MDHE paid A+ tuition reimbursement for a student exceeding the maximum allowable amount by \$511 for the spring 2014 semester. The tuition rate used for determining this student's reimbursement was \$209, even though 6 CSR 10-2.190(4)(M) limits the rate for all schools to the published standard per credit hour charge of State Technical College (\$158 during fiscal year 2014). Schools enter tuition rates into FAMOUS, but the MDHE has no controls to identify when rates exceed the maximum. MDHE procedures allow schools to apply for waivers for

¹ An edit, also known as a data validity check, is program code that tests data for correct and reasonable conditions; such as mathematical accuracy; numeric data being all digits and not exceeding maximum allowable amounts; and dates having a valid day, month, and year; etc.



Department of Higher Education
Management Advisory Report - State Auditor's Findings

tuition exceeding the limits for high need programs, but there was no waiver application for this program.

- The A+ tuition reimbursement for a student for one semester was \$390 more than allowed. The reimbursement was based upon a 3 credit hour course the student subsequently withdrew from according to the student's transcript obtained from the school. State regulation 6 CSR 10-2.190(4)(F) indicates coursework from which a student subsequently withdraws is not eligible for reimbursement and allows the school to adjust the award amount in these cases by reimbursing the MDHE or reducing subsequent reimbursement requests. The school did not adjust subsequent requests or reimburse the MDHE for the overpayment. The MDHE does not receive transcripts or other information from the schools to determine withdrawn coursework.
- The MDHE provided \$329 in A+ tuition reimbursement for a student after she had exceeded the program's eligibility timeframe of 48 months after high school graduation, as outlined in 6 CSR 10-2.190(4)(C). The student's reimbursement was for coursework in spring 2014, nearly 5 years after the student's high school graduation in May 2009. The MDHE has no system controls or other procedures to review for compliance with this requirement.

Based on the error rates and amounts of improper payments noted in our test, and the size of the A+ program, significant amounts of other A+ scholarships may have been improperly awarded and paid. Our review indicated that \$1,230 of \$38,415 (3.2 percent) of A+ award amounts tested were improper. If 3 percent of the \$65.8 million of A+ scholarships paid during the 2 years ended June 30, 2015, were similarly in error, the amount of improper payments during that period could approach \$2 million.

Conclusion

As a result of these errors, colleges received ineligible A+ payments from MDHE. While these errors were made by the colleges, the MDHE's processing and review procedures were insufficient to detect the errors. The MDHE maintains overall responsibility for ensuring student financial assistance is calculated correctly and distributed properly to colleges and universities on behalf of eligible students. Though we did not identify errors in the specific Bright Flight and Access Missouri awards tested, the MDHE should also extend its procedures to verify data supporting the eligibility of those awards and all other scholarship and financial assistance programs.

According to department personnel, the MDHE lacks sufficient staffing to more fully validate or monitor student aid distributions and lacks appropriations to make programming changes to FAMOUS to incorporate additional edit checks, based on the costs of changes made in the past. However, according to department personnel, the MDHE has not



Department of Higher Education
Management Advisory Report - State Auditor's Findings

determined whether other controls, including additional edit checks in FAMOUS, data queries, or random testing of supporting documentation, can be implemented currently with available resources to detect or prevent ineligible students or erroneous award amounts.

Without proper review and verification procedures, the MDHE cannot ensure financial assistance paid to colleges and universities on behalf of students is appropriate. To ensure effective management and accurate awarding of state financial assistance, the MDHE should consider further edit checks in FAMOUS and perform monitoring procedures and sampling at the colleges and universities. Such procedures can help ensure data supporting the eligibility status of students is being properly verified and ineligible students do not receive student financial assistance.

A similar condition was noted in a previous audit of the MDHE.

Recommendation

The MDHE periodically review procedures used, and sample student eligibility determinations made, by colleges and universities for financial assistance programs administered by the MDHE. In addition, the MDHE should consider implementing additional edit checks in FAMOUS, or establish other review procedures, to identify ineligible students or erroneous award amounts.

Auditee's Response

We somewhat agree. The MDHE relies, in part, on institutional verification of student eligibility. This approach provides a cost-effective mechanism for this vital process and plays a critical role in the administration of the state student financial aid programs. Overall, the department believes institutions provide accurate and reliable information when verifying student eligibility and requesting payment. However, we agree our oversight procedures can be strengthened, particularly for the A+ program. MDHE will begin conducting compliance reviews as soon as practical and to the extent possible given current resource limitations. In addition, the department has identified additional edit checks to prevent award disbursement to ineligible students and ensure correct award amounts. We will initiate discussions with Office of Administration - Information Technology Services Division staff to determine the feasibility of incorporating those checks in FAMOUS and will implement the changes as the staffing and monetary resources identified in the feasibility study become available.

2. Advantage Missouri Loan Program

The MDHE lacks procedures to monitor and resolve amounts due on outstanding loans under the Advantage Missouri Loan Program. The MDHE has not notified recipients with defaulted loans or engaged in other efforts to identify outstanding loans or collect on those loans. Several million dollars in loans remain outstanding.



Department of Higher Education
Management Advisory Report - State Auditor's Findings

In 1998, Section 173.775, RSMo, established the Advantage Missouri Loan Program to provide forgivable loans to students in approved educational programs who became employed in occupational areas of high demand in the state, such as biomedical, advanced manufacturing, and computer-related occupations. For each year of employment after graduation, one year of the loan would be forgiven. The MDHE has made no new loans since 2005, when the General Assembly stopped appropriating funding for the program, and now only receives payments on outstanding loans. Amounts collected through repayment are credited to the Advantage Missouri Trust Fund pursuant to state law. Collections were available for further loans until 2005. In subsequent years, collections were transferred to other state student aid programs and the state's General Revenue Fund. Amounts transferred to the Access Missouri Financial Assistance Fund and the Academic Scholarship Fund totaled \$575,000. Loan repayments received by the MDHE during the 2 years ended June 30, 2015, totaled about \$38,000.

The loan contract with borrowers broadly outlined issues regarding program qualifications, loan forgiveness and repayment terms, and default status and referred to the section in state regulations where program operating rules were expected to be placed. The loan contract allowed borrowers a 1 year grace period before employment or repayment was required to begin. The MDHE drafted program operating rules further explaining conditions for repayment, forgiveness, default, and other matters. The rules stated the standard repayment term for each loan was 10 years, with an interest rate set based on the federal student loan rate applicable when the borrower entered repayment (which ranged from 3 to 8 percent). While MDHE personnel indicated they applied these rules in managing the program, the rules were never officially adopted and promulgated by the MDHE. Based on the loan dates and program terms, most loans should have now been substantially repaid or forgiven.

Significant amounts loaned to students remain unpaid. Based on MDHE records of loans disbursed, 2,041 students received loans totaling about \$8 million. According to MDHE personnel, unpaid principal balances totaled about \$5.2 million as of June 30, 2015. MDHE personnel indicated the unpaid principal also may include loans where the borrower has fulfilled the employment obligation but has not notified the MDHE for the loans to be forgiven. Additionally, interest is due on the unpaid principal. Using the lowest interest rate in effect during the program (about 3 percent), we estimate accumulated interest charges on the outstanding principal exceed \$1.5 million. According to MDHE personnel, 689 borrowers had loans totally repaid or forgiven, 9 borrowers were making repayments, and the remaining 1,343 borrowers were potentially in default status, as of June 30, 2015.



Department of Higher Education
Management Advisory Report - State Auditor's Findings

Besides two notices during the grace period, MDHE personnel indicated all borrowers were notified at the end of their grace periods regarding loans received, interest rates, principal balances, payment amounts, due dates, and other relevant information. MDHE personnel indicated no delinquent notices were sent or other collection efforts on delinquent accounts performed since inception of the program because a lack of staffing and shortcomings in the computer system used to track outstanding loans made it difficult to promptly identify defaulted loans and perform necessary follow up actions. Based on the amounts currently due and length of time since the program ended, it is likely many of the defaulted borrowers have not made payments for years. The rules drafted by the MDHE required notification of recipients by certified mail of default status within 10 days of when a loan was considered in default, and the recipient was to be allowed 30 days from the date of the certified letter to make satisfactory payment arrangements.

Monitoring accounts, providing prompt communications to borrowers, and timely pursuing collection on delinquent accounts is essential for proper administration of any loan program. Collection efforts on delinquent accounts become more difficult over time due to relocation of borrowers or other factors. In addition, because MDHE has not promptly pursued collections some of the outstanding loans may have been in default status for sufficient time that collection efforts are now, or soon will be, precluded by state law. Section 516.110, RSMo, requires actions for payment be commenced within 10 years. Efforts are needed now to properly assess the status of the outstanding borrowers to determine which loans met forgiveness requirements and which are in default. Without timely action, additional monies due the MDHE may become uncollectible. Prompt notification to borrowers upon default is needed to ensure the borrowers are aware of their obligation, status of their account, and consequences for nonpayment.

Recommendation

The MDHE should determine the current status of each outstanding loan, identify which are viable to collect on, and work with the CBHE to determine the appropriate actions to resolve the delinquent accounts.

Auditee's Response

We agree. As a loan forgiveness program, administration of Advantage Missouri is labor intensive, requiring sufficient staff, system, and monetary resources to adequately monitor borrowers' employment and repayment statuses. MDHE lacked resources to develop a system capable of managing complex loan maintenance and collections. In addition, over the last five years the department's program administration duties have expanded significantly, while staff resources have not. The department focused its limited resources on those borrowers who were in active employment or repayment. However, now that loan servicing is almost complete for those borrowers, it will be necessary to adjust staff and other resources to address



Department of Higher Education
Management Advisory Report - State Auditor's Findings

this issue. That adjustment will require the establishment of collection and monitoring procedures to service as many of the outstanding loans as possible and the department will explore the feasibility of including wage garnishment, state tax offset, and use of a collection agency in those procedures.

3. User Account Management

The MDHE does not have sufficient procedures in place to ensure access to student financial aid data or other sensitive information is protected. In addition, the MDHE has not executed agreements with the institutions establishing the names and titles of individuals at each institution authorized to sign a user agreement as the institutional representative and does not require prompt notification to the MDHE of individuals no longer needing access to the system.

The MDHE maintains the FAMOUS database system and allows employees of high schools, colleges and universities to access the information maintained in FAMOUS about students at their institutions to administer the financial aid programs managed by the MDHE. The FAMOUS contains student names, addresses, social security numbers, state financial assistance history, names of a student's family members, ACT and SAT scores, and other confidential information. Users at approximately 600 high schools and 80 higher education institutions potentially have access to data on FAMOUS. To be granted access, users must submit to the MDHE a user agreement signed by the user and an institutional representative, which must contain the job titles of both individuals. The user agreement outlines the requirements for appropriate use of the information on the system and the confidentiality requirements related to that information, and indicates the representative is to be one who can legally sign documents for the institution and has knowledge of the applicant's system access needs.

As part of its procedures for review of the user agreements, the MDHE considers whether titles of the user and institutional representative are reasonable, but the MDHE has no procedure to ensure that the institutional representative was an appropriate individual authorized to approve access. Additionally, while the MDHE staff contact institutions about users who have not accessed the system in 12 months and remove those individuals who no longer need access, the MDHE does not require institutions promptly notify the MDHE of users who no longer need access.

The MDHE should execute agreements with the institutions to appropriately limit access to the system. The agreements should specify the individuals at each institution responsible for approving user access applications and outline procedures for timely notifying the MDHE of users no longer needing access. Such agreements are needed to help protect against unneeded or inappropriate access to the system and reduce the vulnerability of confidential student information to unauthorized disclosure and use.



Department of Higher Education
Management Advisory Report - State Auditor's Findings

Recommendations

The MDHE should execute agreements with the institutions that specify individuals responsible for authorizing access and that outline procedures for prompt notification to the MDHE of users no longer needing access.

Auditee's Response

We agree. MDHE has revised the FAMOUS User Agreement to require signature of the institution's chief executive officer (president, chancellor, or superintendent), or the documented designee of the chief executive officer. The department's agreement review procedures have also been revised to include verification that the signatory is the chief executive officer or, when applicable, collection of documentation from the institution verifying the signatory is otherwise authorized to sign for the institution. In addition, MDHE has revised the user agreement to require users to immediately notify the department when they no longer hold a position requiring FAMOUS access to perform their job duties.

4. Board Meeting Minutes

The MDHE did not always prepare minutes for board meetings as required by the Sunshine Law, Chapter 610, RSMo.

4.1 Work Sessions

The MDHE does not prepare minutes for Coordinating Board for Higher Education (CBHE) work sessions. The CBHE generally conducts meetings 6 times per year. The CBHE usually holds a work session with MDHE personnel before each public meeting. During the work session, the CBHE and MDHE personnel review and discuss information related to issues on the agenda for the subsequent public meeting. According to MDHE personnel, no CBHE voting or official decisions are made in the work sessions. The work sessions are open to the public.

The work sessions constitute a public meeting and therefore minutes must be maintained. Section 610.010.5, RSMo, defines a public meeting as any meeting of a public governmental body at which any public business is discussed, decided, or public policy formulated. Section 610.020.7, RSMo, requires minutes be kept of public meetings.

4.2 Closed Meetings

The CBHE held closed meetings on June 10, 2013, and September 5, 2013, during which some of the requirements of Chapter 610, RSMo, regarding closed session meetings were not followed. Minutes for 1 of the 2 closed sessions were not maintained. In addition, the public minutes did not contain required documentation regarding the closed sessions including the reason for entering closed session, roll call votes to enter and exit closed session, and the results of the closed session.

Section 610.020.7, RSMo, requires public governmental entities to maintain minutes of closed minutes. In addition, public governmental entities are required by Section 610.022, RSMo, to document the reasons, roll call votes, and results of the closed meeting in public minutes.



Department of Higher Education
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Recommendations

The MDHE:

- 4.1 Maintain minutes for CBHE work sessions.
- 4.2 Ensure closed session minutes are maintained for all closed meetings. In addition, ensure all reasons, roll call votes, and results of the closed meetings are documented in the open minutes.

Auditee's Response

We agree.

Department of Higher Education

Organization and Statistical Information

The Omnibus State Reorganization Act of 1974 abolished the Commission on Higher Education and the Division of Higher Education of the Department of Education and created the Missouri Department of Higher Education (MDHE), headed by a nine-member Coordinating Board for Higher Education (CBHE).

As of June 30, 2015, the CBHE consisted of the following members:

Member	Term Expires
Betty Sims, Chair	June 2016
Brian Fogle, Vice Chair	June 2016
Carolyn Mahoney, Secretary	June 2018
Dalton Wright, Member	June 2016
Doug Kennedy, Member	June 2016
Vacant	
Vacant	
Vacant	
Vacant	

The CBHE members serve without compensation but are reimbursed for expenses. The nine members of the CBHE, one from each congressional district, are appointed to 6-year terms by the Governor and confirmed by the Senate. In addition, no more than five of the nine members may be affiliated with the same political party.

The MDHE's functions include identification of statewide needs for higher education, statewide planning for higher education, evaluation of student and institutional performance, review of institutional missions, development of effective and economical specialization among institutions, and administration of a performance funding program awarded to public community colleges and universities based on meeting established objectives. The functions also include submission of a unified budget request for public higher education to the Governor and the Missouri General Assembly, administration of a statewide postsecondary technical education program, approval of new degree programs offered at public colleges and universities, setting policy for student financial assistance programs, and administration of the Proprietary School Certification Program. The MDHE's planning activities include the state's independent institutions as well as the public institutions. In addition, the MDHE has statutory responsibility for the administration of several state student financial assistance programs and is the state's designated guaranty agency for the Missouri Student Loan Program, which administers the Federal Family Education Loan Program.

The commissioner of higher education is appointed by the CBHE and serves as its chief executive officer in carrying out the goals and administrative



Department of Higher Education Organization and Statistical Information

responsibilities for the state system of higher education, with 13 public 4-year universities, 20 public 2-year community college campuses, 1 public 2-year technical college, 26 independent colleges and universities, and more than 150 proprietary and private career schools serving more than 450,000 students. Dr. David Russell served as the Commissioner from July 2010 until his retirement effective March 1, 2016. Effective March 1, 2016, Leroy Wade was appointed Interim Commissioner of Higher Education.

At June 30, 2015, the MDHE had approximately 57 employees.

Appendix A-1

Department of Higher Education
Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments
Year Ended June 30, 2015

	Department of Higher Education Fund	Marguerite Ross Barnett Scholarship Fund	Department of Higher Education Out-of-State Program Fund	Quality Improvement Revolving Fund	Proprietary School Certification Fund	Access Missouri Financial Assistance Fund	Academic Scholarship Fund
RECEIPTS							
Other fees	\$ 0	0	55,850	0	332,093	0	0
U.S. Department of Education	1,139,706	0	0	0	0	0	0
Other government entity donations	0	0	0	0	0	50,000	0
Private donations	0	0	0	0	0	0	0
Loan repayment	0	0	0	0	0	0	0
Interest	0	0	0	0	0	53,066	0
Refunds	2,500	27,246	0	0	0	781,686	105,886
Rebates	57	0	0	0	5	0	0
Cost reimbursement	0	0	0	10,000	0	0	0
Other miscellaneous receipts	0	0	1,500	14,050	0	0	0
Settlements	0	0	0	0	0	0	0
Total receipts	<u>1,142,263</u>	<u>27,246</u>	<u>57,350</u>	<u>24,050</u>	<u>332,098</u>	<u>884,752</u>	<u>105,886</u>
DISBURSEMENTS							
Personal service	31,922	0	8,291	0	181,483	0	0
Employee fringe benefits	14,711	0	4,366	0	85,321	0	0
Expense and equipment	54,989	0	0	19,080	11,438	0	0
Program distributions	1,031,186	409,454	15,350	0	0	59,933,326	18,065,000
Interagency disbursements	664	0	0	0	7,394	0	0
Cost allocation plan	0	0	0	0	872	879	0
Total disbursements	<u>1,133,472</u>	<u>409,454</u>	<u>28,007</u>	<u>19,080</u>	<u>286,508</u>	<u>59,934,205</u>	<u>18,065,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>8,791</u>	<u>(382,208)</u>	<u>29,343</u>	<u>4,970</u>	<u>45,590</u>	<u>(59,049,453)</u>	<u>(17,959,114)</u>
OTHER FINANCING SOURCES (USES)							
Transfers to:							
General Revenue Fund	0	0	0	(37,931)	0	0	0
Access Missouri Financial Assistance Fund	0	0	0	0	0	0	0
Academic Scholarship Fund	0	0	0	0	0	0	0
Institution Gift Trust	0	0	0	(15,000)	0	0	0
Transfers from:							
General Revenue Fund	0	352,474	0	0	0	54,965,671	19,086,366
Gaming Proceeds for Education Fund	0	0	0	0	0	5,000,000	0
Lottery Proceeds Fund	0	0	0	0	0	11,559,167	0
Quality Improvement Revolving Fund	0	0	0	0	0	0	0
Workers' Compensation Fund	0	0	0	0	0	0	0
Advantage Missouri Trust Fund	0	0	0	0	0	50,000	0
Federal Student Loan Reserve Fund	0	0	0	0	0	0	0
Institution Gift Trust Fund	0	0	0	0	0	0	1,000,000
Total Financing Sources (Uses)	<u>0</u>	<u>352,474</u>	<u>0</u>	<u>(52,931)</u>	<u>0</u>	<u>71,574,838</u>	<u>20,086,366</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	8,791	(29,734)	29,343	(47,961)	45,590	12,525,385	2,127,252
CASH AND INVESTMENTS, JULY 1, 2014	104,058	62,623	9,000	128,414	222,579	3,812,733	3,198,354
CASH AND INVESTMENTS, JUNE 30, 2015	<u>\$ 112,849</u>	<u>32,889</u>	<u>38,343</u>	<u>80,453</u>	<u>268,169</u>	<u>16,338,118</u>	<u>5,325,606</u>

Appendix A-1

Department of Higher Education
Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments
Year Ended June 30, 2015

	Advantage Missouri Trust Fund	Kids' Chance Scholarship Fund	Guaranty Agency Operating Fund	Institution Gift Trust Fund	A + Schools Fund	Advanced Placement Incentive Grant Fund	Total (Memorandum Only)
RECEIPTS							
Other fees	\$ 0	0	0	0	0	0	387,943
U.S. Department of Education	0	0	4,125,941	0	0	0	5,265,647
Other government entity donations	0	0	0	1,000,000	0	0	1,050,000
Private donations	0	0	0	66,249	0	0	66,249
Loan repayment	12,013	0	0	0	0	0	12,013
Interest	0	3,907	215,404	0	0	0	272,377
Refunds	0	0	339	0	783,472	0	1,701,129
Rebates	0	0	383	74	0	0	519
Cost reimbursement	0	0	4,461	0	0	0	14,461
Other miscellaneous receipts	0	0	0	0	0	0	15,550
Settlements	0	0	582	0	0	0	582
Total receipts	<u>12,013</u>	<u>3,907</u>	<u>4,347,110</u>	<u>1,066,323</u>	<u>783,472</u>	<u>0</u>	<u>8,786,470</u>
DISBURSEMENTS							
Personal service	0	0	2,168,847	20,168	0	0	2,410,711
Employee fringe benefits	0	0	995,909	10,375	0	0	1,110,682
Expense and equipment	0	0	9,067,591	75,971	0	0	9,229,069
Program distributions	0	9,000	778,962	48,500	33,564,303	10,500	113,865,581
Interagency disbursements	0	0	407,614	5,962	0	0	421,634
Cost allocation plan	0	0	0	0	0	0	1,751
Total disbursements	<u>0</u>	<u>9,000</u>	<u>13,418,923</u>	<u>160,976</u>	<u>33,564,303</u>	<u>10,500</u>	<u>127,039,428</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>12,013</u>	<u>(5,093)</u>	<u>(9,071,813)</u>	<u>905,347</u>	<u>(32,780,831)</u>	<u>(10,500)</u>	<u>(118,252,958)</u>
OTHER FINANCING SOURCES (USES)							
Transfers to:							
General Revenue Fund	0	0	0	0	0	0	(37,931)
Access Missouri Financial Assistance Fund	(50,000)	0	0	0	0	0	(50,000)
Academic Scholarship Fund	0	0	0	(1,000,000)	0	0	(1,000,000)
Institution Gift Trust	0	0	0	0	0	0	(15,000)
Transfers from:							
General Revenue Fund	0	0	0	0	11,110,262	0	85,514,773
Gaming Proceeds for Education Fund	0	0	0	0	0	0	5,000,000
Lottery Proceeds Fund	0	0	0	0	21,009,665	0	32,568,832
Quality Improvement Revolving Fund	0	0	0	15,000	0	0	15,000
Workers' Compensation Fund	0	50,000	0	0	0	0	50,000
Advantage Missouri Trust Fund	0	0	0	0	0	0	50,000
Federal Student Loan Reserve Fund	0	0	18,136,206	0	0	0	18,136,206
Institution Gift Trust Fund	0	0	0	0	0	0	1,000,000
Total Financing Sources (Uses)	<u>(50,000)</u>	<u>50,000</u>	<u>18,136,206</u>	<u>(985,000)</u>	<u>32,119,927</u>	<u>0</u>	<u>141,231,880</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	<u>(37,987)</u>	<u>44,907</u>	<u>9,064,393</u>	<u>(79,653)</u>	<u>(660,904)</u>	<u>(10,500)</u>	<u>22,978,922</u>
CASH AND INVESTMENTS, JULY 1, 2014	<u>120,089</u>	<u>775,504</u>	<u>38,826,732</u>	<u>150,918</u>	<u>2,234,296</u>	<u>37,000</u>	<u>49,682,300</u>
CASH AND INVESTMENTS, JUNE 30, 2015	<u>\$ 82,102</u>	<u>820,411</u>	<u>47,891,125</u>	<u>71,265</u>	<u>1,573,392</u>	<u>26,500</u>	<u>72,661,222</u>

Appendix A-2

Department of Higher Education
 Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments
 Year Ended June 30, 2014

	Department of Higher Education Fund	Marguerite Ross Barnett Scholarship Fund	Department of Higher Education Out-of-State Program Fund	Quality Improvement Revolving Fund	Proprietary School Certification Fund	Access Missouri Financial Assistance Fund	Academic Scholarship Fund
RECEIPTS							
Other fees	\$ 0	0	0	0	382,589	0	0
U.S. Department of Education	2,921,436	0	0	0	0	0	0
Other government entity donations	0	0	0	0	0	50,000	0
Private donations	0	0	0	0	0	0	0
Loan repayment	0	0	0	0	0	0	0
Interest	0	0	0	0	0	69,305	0
Refunds	13,559	13,767	0	0	0	1,380,159	56,672
Rebates	125	0	0	20,308	13	0	0
Interagency receipts	235,439	0	0	0	0	0	0
Cost reimbursement	0	0	0	17,204	0	0	0
Other miscellaneous receipts	0	0	24,350	34,040	0	0	0
Total receipts	<u>3,170,559</u>	<u>13,767</u>	<u>24,350</u>	<u>71,552</u>	<u>382,602</u>	<u>1,499,464</u>	<u>56,672</u>
DISBURSEMENTS							
Personal service	392,552	0	0	0	163,197	0	0
Employee fringe benefits	183,530	0	0	0	76,027	0	0
Expense and equipment	132,061	0	0	15,470	10,462	0	0
Program distributions	2,386,229	393,533	15,350	3,659	512	60,664,771	14,587,000
Interagency disbursements	0	0	0	0	0	0	0
Cost allocation plan	0	0	0	2,717	0	0	0
Total disbursements	<u>3,094,372</u>	<u>393,533</u>	<u>15,350</u>	<u>21,846</u>	<u>250,198</u>	<u>60,664,771</u>	<u>14,587,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>76,187</u>	<u>(379,766)</u>	<u>9,000</u>	<u>49,706</u>	<u>132,404</u>	<u>(59,165,307)</u>	<u>(14,530,328)</u>
OTHER FINANCING SOURCES (USES)							
Transfers to:							
A+ Schools Fund	0	0	0	0	0	0	0
Transfers from:							
General Revenue Fund	0	352,474	0	0	0	40,415,671	14,236,366
Gaming Proceeds for Education Fund	0	0	0	0	0	5,000,000	0
Lottery Proceeds Fund	0	0	0	0	0	11,559,167	0
Workers' Compensation Fund	0	0	0	0	0	0	0
Guaranty Agency Operating Fund	0	0	0	0	0	0	0
Federal Student Loan Reserve Fund	0	0	0	0	0	0	0
Total Financing Sources (Uses)	<u>0</u>	<u>352,474</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>56,974,838</u>	<u>14,236,366</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	76,187	(27,292)	9,000	49,706	132,404	(2,190,469)	(293,962)
CASH AND INVESTMENTS, JULY 1, 2013	27,871	89,915	0	78,708	90,175	6,003,202	3,492,316
CASH AND INVESTMENTS, JUNE 30, 2014	<u>\$ 104,058</u>	<u>62,623</u>	<u>9,000</u>	<u>128,414</u>	<u>222,579</u>	<u>3,812,733</u>	<u>3,198,354</u>

Appendix A-2

Department of Higher Education
Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments
Year Ended June 30, 2014

	Advantage Missouri Trust Fund	Kids' Chance Scholarship Fund	Guaranty Agency Operating Fund	Institution Gift Trust Fund	A + Schools Fund	Advanced Placement Incentive Grant Fund	Total (Memorandum Only)
RECEIPTS							
Other fees	\$ 0	0	0	0	0	0	382,589
U.S. Department of Education	0	0	6,631,940	0	0	0	9,553,376
Other government entity donations	0	0	0	0	0	0	50,000
Private donations	0	0	0	171,160	0	0	171,160
Loan repayment	25,610	0	0	0	0	0	25,610
Interest	0	4,171	203,419	0	0	0	276,895
Refunds	0	0	383	7,155	135,200	0	1,606,895
Rebates	0	0	472	0	0	0	20,918
Interagency receipts	0	0	0	0	0	0	235,439
Cost reimbursement	0	0	6,630	0	0	0	23,834
Other miscellaneous receipts	0	0	0	0	0	0	58,390
Total receipts	<u>25,610</u>	<u>4,171</u>	<u>6,842,844</u>	<u>178,315</u>	<u>135,200</u>	<u>0</u>	<u>12,405,106</u>
DISBURSEMENTS							
Personal service	0	0	1,776,029	24,970	0	0	2,356,748
Employee fringe benefits	0	0	814,703	12,591	0	0	1,086,851
Expense and equipment	0	0	9,286,293	112,788	0	0	9,557,074
Program distributions	2,622	11,250	991,582	250,742	32,248,623	17,000	111,572,873
Interagency disbursements	0	0	0	1,240	0	0	1,240
Cost allocation plan	0	0	0	0	0	0	2,717
Total disbursements	<u>2,622</u>	<u>11,250</u>	<u>12,868,607</u>	<u>402,331</u>	<u>32,248,623</u>	<u>17,000</u>	<u>124,577,503</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>22,988</u>	<u>(7,079)</u>	<u>(6,025,763)</u>	<u>(224,016)</u>	<u>(32,113,423)</u>	<u>(17,000)</u>	<u>(112,172,397)</u>
OTHER FINANCING SOURCES (USES)							
Transfers to:							
A+ Schools Fund	0	0	(4,000,000)	0	0	0	(4,000,000)
Transfers from:							
General Revenue Fund	0	0	0	0	4,611,262	0	59,615,773
Gaming Proceeds for Education Fund	0	0	0	0	0	0	5,000,000
Lottery Proceeds Fund	0	0	0	0	21,009,665	0	32,568,832
Workers' Compensation Fund	0	50,000	0	0	0	0	50,000
Guaranty Agency Operating Fund	0	0	0	0	4,000,000	0	4,000,000
Federal Student Loan Reserve Fund	0	0	13,936,395	0	0	0	13,936,395
Total Financing Sources (Uses)	<u>0</u>	<u>50,000</u>	<u>9,936,395</u>	<u>0</u>	<u>29,620,927</u>	<u>0</u>	<u>111,171,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	<u>22,988</u>	<u>42,921</u>	<u>3,910,632</u>	<u>(224,016)</u>	<u>(2,492,496)</u>	<u>(17,000)</u>	<u>(1,001,397)</u>
CASH AND INVESTMENTS, JULY 1, 2013	<u>97,101</u>	<u>732,583</u>	<u>34,916,100</u>	<u>374,934</u>	<u>4,726,792</u>	<u>54,000</u>	<u>50,683,697</u>
CASH AND INVESTMENTS, JUNE 30, 2014	<u>\$ 120,089</u>	<u>775,504</u>	<u>38,826,732</u>	<u>150,918</u>	<u>2,234,296</u>	<u>37,000</u>	<u>49,682,300</u>

Appendix B

Department of Higher Education
 Comparative Statement of Appropriations and Expenditures
 Two Years Ended June 30, 2015

	Year Ended June 30,					
	2015			2014		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Personal Services	\$ 356,323	345,408	10,915	359,367	306,362	53,005
Midwest Higher Education Commission	95,000	95,000	0	95,000	95,000	0
Expense and Equipment	151,453	147,134	4,319	145,615	125,162	20,453
Grant & Scholarship Administration Expense and Equipment	30,175	25,147	5,028	30,204	4,602	25,602
Grant & Scholarship Administration Personal Services	116,461	112,663	3,798	115,217	109,463	5,754
Vietnam Veteran Survivor Grant	50,000	31,139	18,861	50,000	18,361	31,639
Wartime Veteran's Survivor Grant	241,250	141,941	99,309	250,250	191,682	58,568
Minority and Environmental Literacy Program	32,964	30,088	2,876	32,964	31,973	991
Department of Higher Education State Owned	112,330	108,163	4,167	121,183	121,183	0
Public Service Grant Program	140,000	86,641	53,359	131,000	84,151	46,849
Total General Revenue Fund	1,325,956	1,123,324	202,632	1,330,800	1,087,939	242,861
DEPARTMENT OF HIGHER EDUCATION FUND						
Improving Teacher Quality Grant Personal Services	37,841	31,922	5,919	53,436	36,999	16,437
Improving Teacher Quality Grant Expense and Equipment	6,000	6,000	0	10,000	8,172	1,828
Coordination Administration Expense and Equipment	0	0	0	45,354	11,737	33,617
Coordination Administration Personal Services	0	0	0	235,439	180,139	55,300
Improving Teacher Quality Grant	1,739,954	878,977	860,977	1,719,936	1,013,084	706,852
Access Challenge Grant Personal Services	0	0	0	370,000	175,414	194,586
Access Challenge Grant Expense and Equipment	259,306	48,293	211,013	259,306	112,152	147,154
Access Challenge Grant	2,740,694	150,634	2,590,060	2,370,694	1,373,145	997,549
Federal Grants/Donations Expense and Equipment	999,000	0	999,000	999,000	0	999,000
Federal Grants/Donations	1,000	0	1,000	1,000	0	1,000
Total Department of Higher Education Fund	5,783,795	1,115,826	4,667,969	6,064,165	2,910,842	3,153,323
MARGUERITE ROSS BARNETT SCHOLARSHIP FUND						
Marguerite Ross Barnett Scholarship	500,000	409,454	90,546	500,000	393,533	106,467
Total Marguerite Ross Barnett Scholarship Fund	500,000	409,454	90,546	500,000	393,533	106,467
LOTTERY PROCEEDS FUND						
Minority Teaching Scholarships	169,000	163,687	5,313	169,000	160,342	8,658
Total Lottery Proceeds Fund	169,000	163,687	5,313	169,000	160,342	8,658
DEPARTMENT OF HIGHER EDUCATION OUT-OF-STATE PROGRAM FUND						
Coordination Administration Personal Service	37,672	8,291	29,381	0	0	0
Coordination Administration Expense and Equipment	16,850	15,350	1,500	56,556	15,350	41,206
Total Department of Higher Education Out-Of-State Program Fund	54,522	23,641	30,881	56,556	15,350	41,206
QUALITY IMPROVEMENT REVOLVING FUND						
Quality Improvement Revolving Expense and Equipment	166,869	19,080	147,789	166,869	19,129	147,740
Total Quality Improvement Revolving Fund	166,869	19,080	147,789	166,869	19,129	147,740
BOARD OF NURSING FUND						
State Nursing Board Grants	0	0	0	1,000,000	1,000,000	0
Total Board of Nursing Fund	0	0	0	1,000,000	1,000,000	0
PROPRIETARY SCHOOL CERTIFICATION FUND						
Proprietary School Administration Personal Services	190,760	181,299	9,461	188,889	163,197	25,692
Proprietary School Administration Expense and Equipment	112,148	12,477	99,671	115,708	10,462	105,246
Total Proprietary School Certification Fund	302,908	193,776	109,132	304,597	173,659	130,938

Appendix B

Department of Higher Education
 Comparative Statement of Appropriations and Expenditures
 Two Years Ended June 30, 2015

	Year Ended June 30,					
	2015			2014		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GEAR-UP SCHOLARSHIP FUND						
Gear-Up Scholarships	0	0	0	100,000	0	100,000
Total Gear-Up Scholarship Fund	0	0	0	100,000	0	100,000
DEBT OFFSET ESCROW FUND						
Loan Program Refund Offset	750,000	591,646	158,354	750,000	522,508	227,492
Total Debt Offset Escrow Fund	750,000	591,646	158,354	750,000	522,508	227,492
PROPRIETARY SCHOOL BOND FUND						
Proprietary School Bond	200,000	0	200,000	200,000	0	200,000
Total Proprietary School Bond Fund	200,000	0	200,000	200,000	0	200,000
ACCESS MISSOURI FINANCIAL ASSISTANCE FUND						
Access Missouri Grants	78,500,000	59,933,326	18,566,674	67,000,000	60,664,771	6,335,229
Total Access Missouri Financial Assistance Fund	78,500,000	59,933,326	18,566,674	67,000,000	60,664,771	6,335,229
ACADEMIC SCHOLARSHIP FUND						
Academic Scholarship Program	15,676,666	15,675,500	1,166	15,676,666	14,587,000	1,089,666
Academic Scholarship Loan Forgiveness Program	7,000,000	2,389,500	4,610,500	0	0	0
Total Academic Scholarship Fund	22,676,666	18,065,000	4,611,666	15,676,666	14,587,000	1,089,666
ADVANTAGE MISSOURI TRUST FUND						
Advantage Missouri Program	15,000	0	15,000	15,000	2,622	12,378
Total Advantage Missouri Trust Fund	15,000	0	15,000	15,000	2,622	12,378
KIDS' CHANCE SCHOLARSHIP FUND						
Kids' Chance Scholarship	15,000	9,000	6,000	17,500	11,250	6,250
Total Kids' Chance Scholarship Fund	15,000	9,000	6,000	17,500	11,250	6,250
GUARANTY AGENCY OPERATING FUND						
Loan Program Administration Personal Service	2,260,118	1,618,085	642,033	2,236,779	1,445,889	790,890
Loan Program Administration Expense and Equipment	8,325,693	2,626,303	5,699,390	8,325,693	5,003,452	3,322,241
Federal Loan Compliance	500,000	2,280	497,720	500,000	61	499,939
Collection Invoicing	8,000,000	6,579,678	1,420,322	8,000,000	4,346,487	3,653,513
Loan Program Administration	890,000	775,236	114,764	890,000	751,859	138,141
Coordination Administration Personal Service	237,920	237,920	0	0	0	0
Coordination Administration Expense and Equipment	45,354	30,375	14,979	0	0	0
Total Guaranty Agency Operating Fund	20,259,085	11,869,877	8,389,208	19,952,472	11,547,748	8,404,724
INSTITUTION GIFT TRUST FUND						
Other Grants/Donations Personal Service	15,000	3,833	11,167	35,340	24,970	10,370
Other Grants/Donations Expense and Equipment	15,000	13,776	1,224	163,915	104,189	59,726
Other Grants/Donations	88,109	76,609	11,500	250,745	250,742	3
Lumina Foundation Grants Personal Service	16,335	16,335	0	0	0	0
Lumina Foundation Grants Expense and Equipment	83,665	29,463	54,202	0	0	0
Total Institution Gift Trust Fund	218,109	140,016	78,093	450,000	379,901	70,099
A+ SCHOOLS FUND						
A+ Schools Program	35,000,000	33,564,303	1,435,697	35,000,000	32,248,624	2,751,376
Total A+ Schools Fund	35,000,000	33,564,303	1,435,697	35,000,000	32,248,624	2,751,376

Appendix B

Department of Higher Education
Comparative Statement of Appropriations and Expenditures
Two Years Ended June 30, 2015

	Year Ended June 30,					
	2015			2014		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
ADVANCED PLACEMENT INCENTIVE GRANT FUND						
Advanced Placement Incentive Grants	100,000	10,500	89,500	100,000	17,000	83,000
Total Advanced Placement Incentive Grant Fund	100,000	10,500	89,500	100,000	17,000	83,000
Total All Funds	\$ 166,036,910	127,232,456	38,804,454	148,853,625	125,742,218	23,111,407

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2015	2014
General Revenue Fund		
Personal Service	\$ 10,915	10,781
Expense and Equipment	4,319	4,368
Grant & Scholarship Administration Expense and Equipm	905	906
Grant & Scholarship Administration Personal Service	3,494	3,457
Vietnam Veteran Survivor Grant	1,500	1,500
War-time Veteran's Survivor Grant	7,238	7,508
Minority Teaching Scholarship	5,070	5,070
Minority and Environmental Literacy Program	989	989
Department of Higher Education State Owned	3,370	0
Public Service Grant Program	4,200	3,930
Total General Revenue Fund	\$ 42,000	38,509

Note 1: This schedule excludes appropriations to colleges and universities and appropriations to the Department of Higher Education for distribution to community colleges as those appropriations were not part of this review. Also, this schedule does not include appropriations from the Federal Student Loan Reserve Fund because those appropriations were reviewed in a different audit.

Note 2: For the year ended June 30, 2015, the Governor's Office released withholdings on May 6, 2015, totaling \$11 million and \$4 million for appropriations from the Access Missouri Financial Assistance and Academic Scholarship Funds, respectively.

Appendix C

Department of Higher Education Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2015	2014	2013	2012	2011
Salaries	\$ 2,555,757	2,442,433	2,652,093	2,579,126	2,719,624
Travel, in-state	59,446	36,032	55,082	44,978	47,672
Travel, out-of-state	38,511	31,881	41,138	41,780	33,113
Fuel and utilities	0	0	0	0	3,288
Supplies	106,695	73,015	128,035	221,326	176,308
Professional development	185,235	177,250	189,717	141,474	184,523
Communication services and supplies	61,821	42,848	42,950	40,598	60,051
Services:					
Professional	9,097,845	9,168,006	9,101,131	8,990,746	7,888,174
Maintenance and repair	4,022	26,118	2,405	27,677	19,632
Equipment:					
Office	514	13,116	28,235	5,075	11,971
Computer	0	1,908	0	0	426
Other	39,247	4,020	0	26,587	1,734
Building lease payments	119,350	128,582	123,527	132,300	26,045
Equipment rental and leases	965	1,014	3,846	1,838	506
Miscellaneous expenses	28,411	18,299	29,805	16,145	19,216
Refunds	619,939	525,669	606,540	581,716	685,033
Program distributions	114,314,698	113,052,027	110,611,507	103,128,987	95,741,137
Total Expenditures	\$ <u>127,232,456</u>	<u>125,742,218</u>	<u>123,616,011</u>	<u>115,980,353</u>	<u>107,618,453</u>

Appendix D

Department of Higher Education Comparative Statement of Expenditures for Student Financial Assistance Programs

	Year Ended June 30,			
	2015		2014	
	Amount	Number of Students	Amount	Number of Students
Higher Education Academic Scholarship (Bright Flight)	\$ 18,065,000	6,283	\$ 14,587,000	6,089
Access Missouri Grant	59,933,326	51,367	60,644,771	52,826
A+ Scholarship	33,564,303	13,142	32,248,624	12,853
Marguerite Ross Barnett Scholarship	409,454	280	393,533	280
Advanced Placement Incentive Grant	10,500	21	17,000	34
Public Service Officer Survivor Grant	86,641	14	84,151	17
Vietnam Veteran Survivor Grant	31,139	3	18,361	4
Wartime Veteran's Survivor Grant	141,941	9	191,682	7
Minority Teaching Scholarship	163,687	388	160,342	384
Kid's Chance Scholarship	9,000	3	11,250	5
Minority and Underrepresented Environmental Literacy Scholarship	30,088	9	31,973	11
Total Student Financial Assistance Programs	\$ 112,445,079	71,519	\$ 108,388,687	72,510



Office of Missouri State Auditor
Nicole Galloway, CPA

**Fourteenth Judicial Circuit
City of Huntsville
Municipal Division**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Huntsville municipal division

Accounting Controls and Procedures	Accounting controls and procedures need improvement. Neither the Municipal Judge nor city personnel perform adequate supervisory or independent reviews of accounting functions and records maintained by the division's one employee. The Court Clerk does not always deposit receipts timely and intact or receipt monies timely. Auditors identified multiple receipts held more than a week and found that some deposits included monies that had not been receipted. The division has not established procedures to maintain a listing of liabilities (open bonds), review the status of open bonds held in the municipal bank account, and ensure bond monies are disbursed timely. The division also does not have adequate procedures to monitor and review accrued costs owed to the court, including fines, court costs, and fees.
Municipal Division Procedures	Municipal division procedures need improvement. The division assesses a potentially improper warrant and contempt fees (\$25 each) for failure to appear in court and/or pay amounts due. According to municipal division records, warrant and contempt fees totaled \$350 for year ended June 30, 2015. Additionally, case files are not maintained in a complete and accurate manner. Auditors found that files did not always indicate the warrant fee or contempt fee when added to the fine and court cost amount and did not always include updated information such as plea agreements being reached.
Monitoring of Excess Revenues	The municipal division does not have procedures in place to identify minor traffic violation tickets and the associated fines and court costs collected. In addition, city procedures to calculate whether excess revenues are due to the Department of Revenue (DOR) are not adequate to ensure compliance with state law. City officials calculated no excess revenues were due to the DOR for the year ended June 30, 2015, but failed to retain documentation to support the numbers used in the calculation and the calculation may be inaccurate.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Fourteenth Judicial Circuit

City of Huntsville Municipal Division

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

Presiding Judge
Fourteenth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the City Council
Huntsville, Missouri

We have audited certain operations of the City of Huntsville Municipal Division of the Fourteenth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2015. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

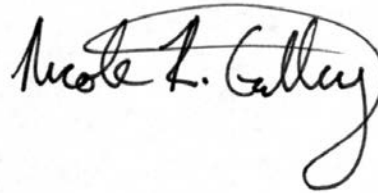
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Huntsville Municipal Division of the Fourteenth Judicial Circuit.

A petition audit of the City of Huntsville, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Albert Borde-Koufie, MBA
	Margie Freeman, CPA

Fourteenth Judicial Circuit

City of Huntsville Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. For the year ended June 30, 2015, the municipal division's records indicate collections totaled approximately \$12,200.

1.1 Oversight

Neither the Municipal Judge nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. Proper segregation of duties within the municipal division is not possible because the Court Clerk is the only employee.

The Court Clerk is responsible for all duties related to collecting court monies, recording and posting payments to the municipal division's records, making deposits into the municipal division's bank account, and disbursing funds to the city.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented supervisory or independent reviews of accounting records.

1.2 Depositing and receipting procedures

The Court Clerk does not always deposit receipts timely and intact or receipt monies timely. Our review of 13 deposits made during the months of November 2014 and January 2015, identified 2 deposits containing receipts held more than a week. A deposit made on November 18, 2014, consisted of \$222.50 receipted on November 3, 2014. Other monies receipted on November 3 and November 4, 2014, were deposited prior to the November 18 deposit. Also, a deposit made on January 22, 2015, consisted of \$122.50 receipted on January 13, 2015.

In addition, 2 other deposits in our review included monies that had not been receipted. For example, a December 31, 2014, deposit included 2 checks totaling \$395 that were receipted January 5, 2015. The Court Clerk indicated she made the deposit prior to the holiday weekend before receipting these monies.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be deposited intact and timely. In addition, all monies should be receipted immediately when received.

1.3 Review of open bonds

The municipal division has not established procedures to maintain a listing of liabilities (open bonds), review the status of open bonds held in the municipal division's bank account, and ensure bond monies are disbursed timely.



Fourteenth Judicial Circuit
City of Huntsville Municipal Division
Management Advisory Report - State Auditor's Findings

The Court Clerk does not prepare a list of open bonds for comparison to the reconciled bank account balance and is unable to agree open bonds to the account balance. At our request, the Court Clerk prepared a list showing there were 15 open bonds at June 30, 2015, totaling \$3,747, which differed from the reconciled bank account balance of \$3,787 by \$40.

In addition, the court clerk does not adequately review the status of old open bonds held and does not have procedures to ensure bond monies are disbursed timely. The June 30, 2015, list included 8 bonds totaling \$2,175 that had not been disbursed to the city even though the Municipal Judge had ordered disbursement of the bonds. In October 2015, the Court Clerk discovered the error and disbursed the monies to the city.

Monthly reconciliations between open bonds and the reconciled bank account balance are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. In addition, monthly lists of open bonds are necessary to properly monitor bonds and ensure monies are disbursed as appropriate.

1.4 Accrued costs

The municipal division does not have adequate procedures to monitor and review accrued costs owed to the court, including fines, court costs, and fees.

The municipal division accepts partial payments from defendants, but requires no minimum monthly payments and does not maintain a listing of accrued costs. At our request, the Court Clerk prepared a list of accrued costs at June 30, 2015, that totaled \$4,686. Cases on the list date back to 2007.

In addition, the municipal division does not notify the Missouri Department of Revenue (DOR) and request driver license suspension when defendants charged with a moving traffic violation do not pay their fines and court costs and fail to appear in court. Taking such action would increase the likelihood of collecting amounts owed to the court.

Proper and timely monitoring of accrued costs is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for nonpayment. Proper monitoring is necessary to provide information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible. In addition, Section 302.341.1, RSMo, states that if a Missouri resident is charged with a moving traffic violation and fails to dispose of the charges within a specific period of time, the court has the jurisdiction to inform the defendant by ordinary mail that the court will order the DOR to suspend the defendant's driving privileges if the charges are not disposed of and fully paid within 30 days from the date of mailing.



Fourteenth Judicial Circuit
City of Huntsville Municipal Division
Management Advisory Report - State Auditor's Findings

Recommendations

The City of Huntsville Municipal Division:

- 1.1 Ensure documented independent or supervisory reviews of municipal division accounting records are periodically performed.
- 1.2 Ensure all monies are receipted immediately upon receipt and are deposited intact and timely.
- 1.3 Prepare a monthly list of open bonds, reconcile the list to the reconciled bank account balance, and disburse or dispose of monies as appropriate.
- 1.4 Establish procedures to review accrued costs, properly follow up on amounts due, and notify the DOR of all unpaid moving traffic violations as allowed by state law.

Auditee's Response

- 1.1 *To improve segregation of duties, the City has developed protocols through which the part-time clerk now reviews the court accounting functions and records. The Court Clerk will continue a manual spreadsheet showing receipts and distribution of fines and bonds. The part-time clerk now records the information into a computer spreadsheet calculating balances of fines and bonds and amounts held by the City. Both the Court Clerk and part-time clerk balance receipts deposited and payments made with the bank statement.*
- 1.2 *The City has adopted a policy requiring that monies be immediately receipted when received. Any money held overnight (small amounts or amounts received after bank hours) is placed in the safe. The City Collector now balances the receipt book making sure all money is deposited at least weekly to help ensure that deposits are timely and intact.*
- 1.3 *Beginning in November 2015, the Court Clerk and part-time clerk have expanded the use of spreadsheets to include a listing of open bonds and, at the end of each month in which Court is held, perform a reconciliation between open bonds and the municipal division's bank account balance to ensure proper accountability over open cases and to ensure that monies held in trust are sufficient to meet liabilities. As cases are completed, every effort will be made to disburse bonds timely. When appropriate, old bond monies will be submitted to the Missouri State Treasurer's unclaimed property section.*
- 1.4 *Effective July 1, 2016, in the event a defendant charged with a moving violation does not pay his/her fines and court costs, the Court Clerk shall, within ten days of the failure to comply, inform*



Fourteenth Judicial Circuit
City of Huntsville Municipal Division
Management Advisory Report - State Auditor's Findings

the defendant by ordinary mail at the last address shown on the Court records that the Court will order the Director of Revenue to suspend the defendant's driving privileges if the charges are not disposed of and fully paid within thirty days from the date of mailing. Thereafter, if the defendant fails to timely act to dispose of the charges and fully pay any applicable fines and Court costs, the Court Clerk shall notify the Director of Revenue of such failure and of the pending charges against the defendant and request that the Director suspend the license of the driver, effective immediately, and provide notice of the suspension to the driver at the last address for the driver shown on the records of the Department of Revenue.

Moreover, if a defendant fails to pay court costs, fines, fees, or other sums ordered by the court, the Court Clerk shall report any such delinquencies in excess of \$25 to the Director of the Department of Revenue and request that the Department seek a setoff of an income tax refund as provided by Sections 143.782 to 143.788, RSMo.

Effective July 1, 2016, the Court also adopts a minimum monthly payment of \$50 toward fines and court costs for all defendants allowed to make partial payments on assessed fines and court costs. Pursuant to Supreme Court Operating Rule 21.09, when approving any partial payment plans, the Court shall obtain and confidentially maintain, if reasonably available, the defendant's social security number.

2. Municipal Division Procedures

Municipal division procedures related to warrant and contempt fees and maintaining case files need improvement.

2.1 Warrant and contempt fee The municipal division assesses potentially improper warrant and contempt fees (\$25 each) for failure to appear in court and/or pay amounts due. According to municipal division records, warrant and contempt fees totaled \$350 for year ended June 30, 2015. Per Section 479.260, RSMo, a municipality may by ordinance provide for court fees pursuant to sections 488.010 to 488.020, RSMo; however, these sections do not include any provisions that authorize the municipal division to assess a warrant or contempt fee. In addition, Supreme Court Operating Rule 21 does not provide for the assessment of a warrant or contempt fee.

2.2 Case files Case files are not maintained in a complete and accurate manner. We noted case files do not always indicate the warrant fee or contempt fee when added to the fine and court cost amount. Case files also do not always include updated information such as plea agreements.



Fourteenth Judicial Circuit
City of Huntsville Municipal Division
Management Advisory Report - State Auditor's Findings

To ensure cases are processed properly, case activity should be accurately and timely recorded in the case file.

Recommendations

The City of Huntsville Municipal Division:

- 2.1 Work with the city and legal counsel to reevaluate the warrant and contempt fee and the authority to assess the fee.
- 2.2 Ensure case activity is accurately recorded in the case file.

Auditee's Response

- 2.1 *Effective July 1, 2016, the Court will no longer assess fees for issuance of warrants or contempt orders.*
- 2.2 *Since the Court will no longer assess fees for warrant issuance or contempt orders, failure to indicate warrant or contempt fees will no longer be an issue.*

All activity of a case will be compiled into the case file, including plea bargains previously noted only on tickets.

3. Monitoring of Excess Revenues

The municipal division does not have procedures in place to identify minor traffic violation tickets and the associated fines and court costs collected. This information is needed so that city officials can accurately calculate whether the city owes excess revenues to the DOR. In addition, the city's procedures to calculate whether excess revenues are due to the DOR are not adequate to ensure compliance with state law. City officials calculated no excess revenues were due to the DOR for the year ended June 30, 2015, but failed to retain documentation to support the numbers used in the calculation and the city's calculation may be inaccurate. The city's calculation showed the percentage of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations was 3.7 percent, significantly below the 30 percent statutory threshold for fiscal year 2015. The city clerk indicated she monitors the court revenues and percentage monthly by comparing total revenues and court collections, but does not prepare a formal calculation.

Section 302.341.2, RSMo (as it existed from August 28, 2013 to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenues from fines and court costs for traffic violations in its annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR.

Effective August 28, 2015, Senate Bill 5 (SB 5) changes the excess revenues requirements. Section 479.350, RSMo, provides new definitions for elements of the excess revenue calculation. Section 479.359.1, RSMo,



Fourteenth Judicial Circuit
City of Huntsville Municipal Division
Management Advisory Report - State Auditor's Findings

requires cities to annually calculate the percent of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations, and send any excess revenues to the DOR. Section 479.359.2, RSMo, reduces the amounts of these revenues the city may retain in the future.

Due to the impact of these provisions on operations of the municipal division and the city, it is important the city and its municipal division take action to implement policies and procedures to ensure future compliance with state law.

Recommendation

The City of Huntsville Municipal Division should work with the city to ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues and court revenues in the calculations. In addition, the City Council should maintain documentation to support the calculation and make payment to the DOR, if appropriate, for any excess revenues identified.

Auditee's Response

Retroactive to January 1, 2016, the Court Clerk shall annually calculate the percentage of the City's annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations, including amended charges for any minor traffic violations, and shall maintain both the calculation and the evidence supporting such calculation.

The Court Clerk shall report the percentage calculation and provide the supporting evidence to the City Council in February of each year. The City Council shall maintain the documentation supporting the calculation and shall order payment to the Department of Revenue, if necessary, of any excess revenues identified.

Fourteenth Judicial Circuit

City of Huntsville Municipal Division

Organization and Statistical Information

The City of Huntsville Municipal Division is in the Fourteenth Judicial Circuit, which consists of Howard and Randolph Counties. The Honorable Scott Hayes serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. The municipal division does not utilize OSCA's statewide automated case management system known as JIS. Instead, the municipal division maintains manual records.

Personnel

At June 30, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	Stephanie Luntsford
Court Clerk	Lori Boyd

Financial and Caseload Information

	Year Ended June 30, 2015
Receipts	\$12,226
Number of cases filed	73

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$11.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelter	4.00
Contempt Fee	25.00
Warrant Fee	25.00



Fourteenth Judicial Circuit
City of Huntsville Municipal Division
Organization and Statistical Information

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at <http://ago.mo.gov/docs/default-source/public-safety/2015agencyreports.pdf?sfvrsn=2>. The following table presents data excerpted from the AGO report for the City of Huntsville Police Department. In addition, see information at: <http://ago.mo.gov/home/vehicle-stops-report/2015-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

Racial Profiling Data/2015 - Huntsville Police Department - Population 1,564¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	183	175	8	0	0	0	0
Searches	22	22	0	0	0	0	0
Arrests	28	27	1	0	0	0	0
Statewide Population %	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population %	N/A	91.36	6.44	0.98	0.24	0.08	0.90
Disparity Index ²	N/A	1.05	0.68	0.00	0.00	0.00	0.00
Search Rate ³	12.02	12.57	0.00	#Num!	#Num!	#Num!	#Num!
Contraband hit rate ⁴	18.18	18.18	#Num!	#Num!	#Num!	#Num!	#Num!
Arrest Rate ⁵	15.30	15.43	12.50	#Num!	#Num!	#Num!	#Num!

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes person of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#Num! indicates zero denominator



Office of Missouri State Auditor
Nicole Galloway, CPA

Office of State Courts Administrator
System of Case and Record
Management of the Judiciary



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the System of Case and Record Management of the Judiciary

Background

The Missouri Court Automation Committee (MCA), in conjunction with the Missouri Office of State Courts Administrator (OSCA) is responsible for development and implementation of the case and record management system (CRMS) of the judiciary. The OSCA is responsible for providing technical support to Missouri courts and relies extensively on information systems to support mission-related operations and on information security controls to protect the confidentiality, integrity, and availability of sensitive judicial information maintained in those systems. The judiciary relies extensively on the CRMS, including the Judicial Information System (JIS), to process and store court cases, financial information, and other data. The JIS stores personally identifiable information, court cases, financial information, and other data. As of December 2015, the JIS was used by 45 circuits, 3 appellate courts, the Supreme Court, 71 municipal courts, and the centralized Fine Collection Center.

User Account Management

OSCA management has not fully established and documented user account management policies and procedures. OSCA management has not fully established procedures for periodic reviews of user accounts and related privileges to confirm access rights are appropriate. User accounts are not routinely reviewed to determine whether accounts have not been accessed or used for a specified period of time. Additionally, 12 former OSCA or court employees still had access to the JIS after their employment ended. OSCA management also does not require supervisory reviews of system logged actions performed by privileged users or other users with significant access to the network or the CRMS.

Information Security Program

OSCA management has not fully implemented certain elements of an information security program on which security plans, policies, procedures, and controls can be formulated, implemented, and monitored. Weaknesses exist in the information security program that threaten the confidentiality, integrity, and availability of OSCA information and systems. Officials have not established a comprehensive risk assessment and management program or consistently ensured all users are uniquely identified and passwords kept confidential and changed regularly. They also have not established policies to monitor, review, and investigate audit trail records for security and audit related events. Additionally, OSCA management has not fully established an incident response plan for computer security incidents.

System Planning

OSCA management has not fully established some project cost management policies and procedures necessary to minimize project risk. OSCA management has not fully documented the system development life cycle (SDLC) methodology or the policies and procedures for guiding the software development and modification process, including change control management for the system. SDLC is the overall process of developing, implementing, and retiring information systems through a multistep process from initiation, analysis, design, implementation, and maintenance to disposal, according to accepted standards. OSCA management did not prepare project budgets or estimates of project costs for the development, implementation, updating, and maintenance of all system changes required for the CRMS. In addition, OSCA management has not properly accounted

for some project costs. OSCA management has not developed a formal long-range plan or prepared adequate estimates of the additional costs expected for the CRMS. A major funding source for the CRMS is the court automation fee established in section 488.027, RSMo. However, this fee will sunset September 1, 2023. A formal long-range plan is necessary to ensure the General Assembly is aware of the state's total potential financial commitment prior to funding new features of the CRMS.

Contingency Planning	OSCA management has documented and informally adopted a business continuity plan; however, the plan has not been formally approved by management, updated, or tested, increasing the risk the plan may not be adequate to support the timely recovery of business functions after the occurrence of a disaster or other significant incident. OSCA management has developed certain contingency plans and implemented basic controls for recovery planning. However, the disaster recovery plan has not been fully established or fully tested to ascertain the effectiveness of recovery procedures. The disaster recovery plan was last updated in May 2014.
Monitoring Reports	Opportunities exist to increase the efficiency and effectiveness of the monitoring performed of activity processed in the CRMS at the local courts. These opportunities to assist the courts could be accomplished through additional monitoring reports or other tools. Examples of the reports not currently available to courts include a report to identify cases disposed with no fees or costs assessed or a report to identify cases exempt from debt collections.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Office of State Courts Administrator

System of Case and Record Management of the Judiciary

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NICOLE GALLOWAY, CPA

Missouri State Auditor

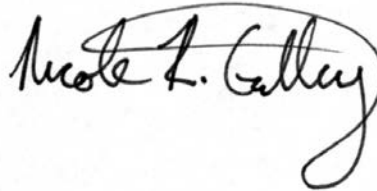
Honorable Jeremiah W. (Jay) Nixon, Governor
and
Honorable Patricia Breckenridge, Chief Justice, Supreme Court of Missouri
and
Kathy S. Lloyd, State Courts Administrator
and
Honorable Gary W. Lynch, Chair, Missouri Court Automation Committee
Jefferson City, Missouri

We have audited the Office of State Courts Administrator, System of Case and Record Management of the Judiciary, in fulfillment of our duties under Chapter 29, RSMo. This audit was conducted to evaluate the effectiveness of the data governance approach, including security and privacy controls designed to secure confidential data and as a result of increasing concerns regarding security of information maintained in state databases. The objectives of our audit were to:

1. Evaluate internal controls over significant management and financial functions.
2. Evaluate compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and information system control activities.
4. Evaluate the security and privacy controls designed to ensure the confidentiality, integrity, and availability of data and information processed and maintained by the applicable systems.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no noncompliance with legal provisions, (3) the need for improvement in management practices and information system control activities, and (4) the need to fully implement an information security program and related security controls. The accompanying Management Advisory Report presents our findings arising from our audit of the Office of State Courts Administrator, System of Case and Record Management of the Judiciary.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

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Office of State Courts Administrator

System of Case and Record Management of the Judiciary

Introduction

Background

The Missouri Court Automation Committee (MCA), in conjunction with the Missouri Office of State Courts Administrator (OSCA) is responsible for development and implementation of the case and record management system (CRMS) of the judiciary. The OSCA is responsible for providing technical support to Missouri courts. The duties and responsibilities assigned to the state courts administrator are broad in scope and relate to all levels of the state court system. The OSCA relies extensively on information systems to support mission-related operations and on information security controls to protect the confidentiality, integrity, and availability of sensitive judicial information maintained in those systems.

Information security is a critical consideration for any organization dependent on information systems and networks to meet its mission or business objectives. Information security is especially important for state agencies, where public trust is essential for the efficient delivery of services. Without proper safeguards and controls, computer systems and confidential data are vulnerable to individuals with malicious intentions who can use access to obtain sensitive data or disrupt operations.

Since 1994, OSCA has worked on the Statewide Court Automation program, which is a multi-year plan to automate all courts in the state. Section 476.055, RSMo, established the Statewide Court Automation program, as well as an oversight body for the program, the MCA. The MCA has decision-making authority for all aspects of court automation. In addition, state law¹ established a \$7 per-case court fee to be used for statewide court automation. The MCA administers the monies collected from this fee. The OSCA spent approximately \$218 million on the court automation program for the period of July 1, 1994, through June 30, 2015.

The MCA, in conjunction with the OSCA, is primarily responsible for development, implementation, and oversight of the policies and procedures for security and control of agency information systems and technology resources and is the custodian of the CRMS. OSCA staff and personnel at courts are responsible for performing duties required by applicable security policies, procedures, or contracts. The court appointing authority in each court (usually the circuit clerk or presiding judge) is the resource owner of all data and information within the individual court.

¹ Sections 476.055, 488.012, and 488.027, RSMo



System of Case and Record Management of the Judiciary

The judiciary relies extensively on the CRMS, including the Judicial Information System (JIS), to process and store court cases, financial information, and other data.

In 1997 the state awarded a contract for a case management system, later known as the JIS. The JIS was primarily developed, implemented, and maintained by a contractor; however, in fiscal year 2014, the OSCA became primarily responsible for maintaining the JIS. The JIS stores personally identifiable information² (PII), court cases, financial information, and other data. As of December 2015, the JIS was used by 45 circuits (comprised of 114 counties and the City of St. Louis), 3 appellate courts, the Supreme Court, 71 municipal courts, and the centralized Fine Collection Center³ (FCC). Each circuit, the three appellate courts, the Supreme Court, and the FCC have a separate JIS application and database to process and store case data.

In addition to the JIS, the CRMS also includes other functionalities and systems, including, but not limited to, the following:

- Case.net: an online system that allows users to view case records including charges, parties, attorneys, docket entries, and judgments. This information is derived from the JIS.
- Pay By Web (PBW): an online system that allows any public user to pay balances owed on disposed cases via Case.net. The payment information is sent to the JIS.
- eFiling: an online system that allows registered users to file cases and documents electronically. The eFiling system also accepts payment for the case filed. The cases filed and related payments are sent to the JIS.

Security and access controls

According to accepted standards, security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system to protect the confidentiality, integrity, and availability of the system and its information. Confidentiality refers to preserving authorized restrictions on information access and disclosure, including the means for protecting personal privacy and proprietary information. Integrity relates to guarding against improper information modification or destruction, and availability ensures timely and reliable access to and use of

² According to accepted standards, PII is information that can be used to distinguish or trace an individual's identity such as their name, social security number, biometric records, etc., alone, or when combined with other personal or identifying information that is linked or linkable to a specific individual, such as date and place of birth, mother's maiden name, etc.

³ Section 476.385, RSMo, authorized a centralized bureau to collect, with any plea of guilty, fines and all court costs for traffic and other related offenses for counties that participate in the program. The OSCA contracted development of a system to manage these monies and this contractor is responsible for the management of these duties.



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information. Effective privacy controls depend on the safeguards employed within the information system that is processing, storing, and transmitting PII and the environment in which the system operates. Organizations cannot have effective privacy without a basic foundation of information security. Without proper safeguards and controls, information systems and confidential data are vulnerable to individuals with malicious intentions who can use access to obtain sensitive data or disrupt operations.

In the 2015 High-Risk Series⁴ update, the Government Accountability Office (GAO) expanded the scope of the information security high-risk area to include protecting the privacy of PII. The GAO expanded this risk area due to the challenges of ensuring the privacy of PII created by advances in technology. Technology advances, such as lower data storage costs and increasing interconnectivity, have allowed both government and private sector agencies to collect and process extensive amounts of PII more effectively. Risks to PII can originate from unintentional and intentional threats. These risks include insider threats from careless, disgruntled, or improperly trained employees and contractors; the ease of obtaining and using hacking tools; and the emergence of more destructive attacks and data thefts.

Technology advances, combined with the increasing sophistication of individuals or groups with malicious intent, have increased the risk of PII being compromised and exposed. Correspondingly, the number of reported security incidents involving PII in both the private and public sectors has increased dramatically in recent years. At the same time, government agencies are increasingly reliant on technology and information sharing to interact with citizens and to deliver essential services. As a result, the need to protect information, including PII, against cybersecurity attacks is increasingly important.

OSCA management is responsible for ensuring the confidentiality and privacy of the data and information collected, maintained, used, or transmitted from the CRMS by implementing MCA approved security and access controls. Security of case and record management is especially important when such information can be directly linked to an individual. Confidentiality is threatened not only by the risk of improper access to electronically stored information, but also by the risk of interception during electronic transmission of the information.

The JIS is a private network information system that can be accessed by authorized users. Access to the JIS is controlled using various resources, including networks, a security system, and/or remote access mechanisms.

⁴ Report GAO-15-290, *Report to Congressional Committees, High-Risk Series An Update*, February 2015, <<http://www.gao.gov/assets/670/668415.pdf>>, accessed July 28, 2016.



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Users must have access to and logon to the network before they can access the JIS. The JIS security system controls the level of access a user is granted, including the actions a user can perform. Court users and their access levels are authorized by a local court official, which is usually the circuit clerk or presiding judge or their designee. In addition, the JIS assigns a security level to each court case type ranging from data made available to the public to court sealed information. The OSCA also uses internal databases to store user account information and to track user access to the JIS.

Scope and Methodology

The scope of our audit included information security and other relevant internal controls; policies and procedures; and other management functions and compliance issues in place during the 2 years ended June 30, 2015.

Our methodology included reviewing written policies and procedures, reviewing financial records, and interviewing various OSCA and court personnel. We obtained an understanding of the data governance approach and applicable controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We obtained a listing of the JIS user accounts as well as user access requests for current users as of May 2015 from the OSCA officials. After our inquiries, the OSCA determined this information was inaccurate. We were subsequently provided revised records as of August 2015. As discussed in MAR finding number 1.1, we could not confirm the completeness of the data.

We obtained the employment records of all OSCA employees and court employees paid by the state for fiscal years 2001 to 2015 from the statewide accounting system for human resources. We matched these records to the JIS and internal database of user account records for current users to determine if any terminated employees had active accounts. Since the OSCA does not maintain social security numbers for user accounts, we relied on a name match. In addition, since an employee may be terminated from state employment but still work for and be paid by the local jurisdiction, we contacted the OSCA or the local jurisdiction for some of the matches to determine whether the individuals still worked at the local jurisdiction or were terminated and if access was necessary. This test was limited to individuals paid by the state and did not include terminated



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individuals paid by other funding sources. Although we used computer-processed data from the human resources system for our audit work, we did not rely on the results of any processes performed by this system in arriving at our conclusions. Our conclusions were based on our review of the issues specific to the audit objectives.

We obtained access to a JIS test environment to evaluate the data integrity controls that validate and edit data entered in the system. We attempted to enter data containing errors and performed incorrect transactions to verify the JIS would reject and not accept the data or transactions. Based on this assessment, we determined these specific data integrity controls worked properly.

To assess the reliability of other data and information we analyzed, such as system control settings, authorization documents, and security policies and procedures, we corroborated the information with the OSCA officials and security administrators to determine whether the data obtained were consistent with system configurations and controls in place at the time of our review. Based on this assessment, we determined the data and information were reliable for the purposes of this report.

We based our evaluation on accepted state, federal, and international standards; policies and procedures; and best practices related to information technology security controls from the following sources:

- OSCA security policy
- Court Operating Rules
- Office of Administration - Information Technology Services Division (ITSD)
- National Institute of Standards and Technology (NIST)
- Government Accountability Office (GAO)
- ISACA (previously known as the Information Systems Audit and Control Association)

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1. User Account Management

OSCA management has not fully established and documented user account management policies and procedures. In addition, policies and procedures for the management of privileged user accounts or users with significant access⁵ have not been fully established. User account management includes requesting, establishing, issuing, suspending, modifying, closing, and periodically reviewing user accounts and related user privileges, according to accepted standards. User account management policies and procedures should be established for all user accounts, including system administrators.

1.1 Periodic review of user accounts

OSCA management has not fully established procedures for administering and reviewing user access to data and other information resources on the network or the CRMS to ensure access rights are commensurate with job responsibilities and remain appropriate.

Accepted standards support regular review of all accounts and related privileges. At a minimum this review should include levels of authorized access for each user, whether all accounts are still active, and whether management authorizations are up to date, according to accepted standards. Without a review of user access rights, there is an increased risk that unauthorized alterations of these rights would go undetected or that access rights would not be aligned with current job duties.

Review of accounts to determine inappropriate access

OSCA management has not fully established procedures for periodic reviews of accounts and related privileges.

OSCA management has not periodically provided a list of user accounts with access to the network or the CRMS to appropriate OSCA or local court appointing authority personnel for review. Without providing a complete list of all accounts, management cannot review or confirm user access rights are appropriate.

An OSCA official said the OSCA currently relies on the reviews performed at each local court prior to the implementation of the eFiling system to determine whether access appears appropriate. However, not all courts have been reviewed and a follow-up schedule has not been established. An OSCA official said a review was performed in March 2015 (after our audit began) to determine whether OSCA users' access appeared appropriate. OSCA management could provide no documentation of such a review prior to this for the 2 years ended June 30, 2015.

⁵ Privileged users are individuals who have access to system control, monitoring, or administrative functions (such as a system administrator). Users with significant access have the ability to perform most functions within the network or the system of case and record management or other supporting systems.



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A similar condition was noted in our prior audit report. Requiring a review of all accounts ensures the right type and level of access has been provided. Otherwise, user accounts and accesses can be granted to or maintained for users who should not have access, according to accepted standards.

Inactive user accounts

OSCA management has not routinely reviewed user accounts to identify user accounts that have not been accessed or used for a specified period of time, for either the network or the JIS.

This weakness occurred, in part, because the JIS does not have the functionality to record the last date a user accessed the JIS. OSCA officials said the agency instead relies on password controls to help prevent inappropriate users from accessing the JIS. In addition, the OSCA relies on local courts who are responsible for notifying the OSCA if a user no longer needs access.

The last date a user accessed the network on which the JIS is housed is available through the user's network user account. An OSCA official said periodic reviews of network user accounts are performed to identify accounts that have not accessed the network for a specified period of time. An OSCA official said OSCA personnel conducted a review in July 2014; however, sufficient documentation was not maintained to substantiate this review.

Without appropriate security control functionality, OSCA management is unable to identify user accounts that have not been accessed or used for a specified period of time. Inactive accounts indicate users no longer need the access privileges provided by the accounts and may be attractive targets for individuals attempting to gain unauthorized access since the account owners may not notice illicit activity on the accounts, according to the Government Accountability Office (GAO).

Tracking user account information

OSCA management has not ensured internal databases that maintain user account information are periodically reconciled to the JIS user accounts. An internal database is used to store and track information about user accounts, including access requests, and is an important component for maintaining security. This database is necessary because the JIS does not track identifying information of the user associated with each account. This database does not interface with the JIS and must be manually updated by OSCA or court personnel. An OSCA official said reconciliations between the internal database and the JIS are performed. However, we found the internal database had data integrity issues, which jeopardized the reliability for managing user accounts. For example, we identified 55 user accounts in the JIS without a corresponding record in the internal database. Upon our inquiry, the OSCA identified 9 of the 55 user accounts should not have access due to either the users no longer being employed or the access being



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inappropriate. In addition, the internal database had user access requests for user accounts where a name of the user was either invalid or missing.

Without performing periodic reconciliations, there is an increased risk of data integrity issues between information sources and an increased risk of inappropriate access to system resources.

1.2 Termination of user accounts

As of August 2015, 12 former OSCA or court employees still had access to the JIS. These former employees left employment from 2012 to June 2015. OSCA management has not established policies and procedures to perform periodic reviews to identify terminated or transferred users. OSCA policies and procedures require supervisors to ensure user access is removed as soon as it is no longer needed by notifying OSCA of employees that have left employment. OSCA staff are then responsible for disabling or removing the user account. However, controls were not effective or applied consistently, resulting in the former employees who still had access to the JIS.

Without removing terminated employees' user access to OSCA information resources, management may increase the risk of unauthorized access and compromise the confidentiality and integrity of data maintained by the agency.

1.3 Privileged user supervision

OSCA management does not require supervisory reviews of system logged actions performed by privileged users or other users with significant access to the network or the CRMS.

We identified instances where duties were not properly segregated and additional supervisory reviews were not performed. For example, certain computer operations personnel with privileged access to the JIS for system support also have access to add system users.

Privileged users have extensive access rights necessary to keep systems running efficiently. Sometimes these job duties are difficult to segregate due to staffing or other issues. Even when proper segregation has been established, the actions of privileged users warrant supervision due to the extensive rights these users are provided. However, OSCA management did not provide supervisory oversight or establish other mitigating controls to ensure these privileged users performed only authorized functions. Changes made by privileged users or users with significant access to the JIS are logged, but an OSCA official said the logs are not reviewed regularly.

A similar condition was noted in our prior audit report. An OSCA official said the OSCA does not have sufficient resources to perform supervisory reviews of actions performed by these users.



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Routinely monitoring actions performed by privileged users or other users with significant access can help identify significant problems and deter employees from inappropriate activities. Without effective monitoring, an increased risk exists that these individuals could perform unauthorized system activities without being detected.

1.4 Access roles and functionality

OSCA management has not designed the JIS functionality for user account access to ensure incompatible functions are appropriately segregated.

We found certain accounting access roles allowed users to perform incompatible functions. For example, one access role allows user accounts the ability to perform most accounting functions, such as the ability to assess costs to a case, receipt payments, prepare deposits, create disbursements, and void transactions.

Inadequately segregated duties increase the risk that erroneous or fraudulent transactions could be processed.

Recommendations

The OSCA, in conjunction with the Missouri Court Automation (MCA) Committee:

- 1.1 Periodically review user access to data and other information resources to ensure access rights are commensurate with job duties and responsibilities, identify and evaluate inactive accounts, and reconcile user account information maintained in internal databases to account information from the network or the JIS. In addition, ensure lists of user accounts and related privileges with access to the JIS are complete and accurate and periodically provide applicable user information to the local court appointing authorities for review.
- 1.2 Implement procedures to ensure user accounts and related access privileges are removed timely upon employee termination.
- 1.3 Perform periodic supervisory reviews of certain actions performed by privileged users and users with significant access.
- 1.4 Perform a comprehensive review of the JIS user access roles to ensure incompatible functions are identified and properly segregated.

Auditee's Response

- 1.1 *The responsibility to review local court user accounts is with the local appointing authority. This topic will be presented to the Missouri Court Automation (MCA) Committee to consider a security guideline to address this recommendation.*



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- 1.2 *In conjunction with the MCA, procedures will be reviewed in an effort to improve timely removal of terminated user accounts.*
- 1.3 *Review of the work of privileged users is a best practice. OSCA is currently evaluating auditing software for the case management system. This recommendation will be presented to the MCA for consideration.*
- 1.4 *It is the responsibility of the local appointing authority to assign access roles to staff, selecting from user roles as provided within JIS.*

Auditor's Comment

- 1.4 OSCA management defined the access roles from which the local appointing authorities choose to assign access rights. Certain of these defined roles are broad and allow users to perform incompatible functions. OSCA management should consider more narrowly defining the access roles so they are not inherently in conflict.

2. Information Security Program

Opportunities exist to strengthen the information security program and to improve the protection of information system resources.

OSCA management has not fully implemented certain elements of an information security program on which security plans, policies, procedures, and controls can be formulated, implemented, and monitored. Weaknesses exist in the information security program that threaten the confidentiality, integrity, and availability of OSCA information and systems.

An information security program provides a framework for managing risks, developing security policies, assigning responsibilities, and monitoring the adequacy of an agency's security controls. An information security program is the foundation of an agency's security control structure and a reflection of management's commitment to addressing security risks. Implementing a security program is essential to ensuring controls over information and information systems work effectively on a continuing basis, according to the GAO.

OSCA management has not fully established and/or documented policies and procedures for the following elements of an information security program:

- Risk assessment
- Password policies
- Transactional password policies
- Security activity monitoring
- Incident response plan



- Review of security settings

According to accepted standards, policies are necessary to set organizational strategic directions for security and assign resources for implementation of security. A key element of an effective information security program is to develop, document, and implement risk-based policies and procedures that govern the security over an agency's computing environment, according to the GAO.

2.1 Risk assessment

OSCA management has not established a comprehensive risk assessment and management program.

Accepted standards state organizations should develop, document, and implement an information security program that includes periodic assessments of the risk and magnitude of harm that could result from the unauthorized access, use, disclosure, disruption, modification, or destruction of information or information systems. A risk assessment is necessary to identify potential threats, identify vulnerabilities in systems, determine the likelihood that a particular threat may exploit vulnerabilities, and assess the resulting impact on the organization's mission, including the effect on sensitive and critical systems and data, according to accepted standards. Risk assessments should include essential elements such as discussion of threats, vulnerabilities, impact, risk model, and likelihood of occurrence, and be updated based on a frequency defined by the organization.

Without an established risk management and assessment framework in place, unidentified risks or threats may expose an unknown system vulnerability; resulting in lost information, lost privacy, loss of availability, or loss of system integrity. In addition, OSCA management has less assurance that established security controls are cost-effectively addressing programmatic risks.

2.2 Password policies

OSCA management has not consistently ensured all JIS users are uniquely identified and JIS passwords are not shared and changed regularly. We identified the following risks and noncompliance with applicable policies:

- The JIS does not have the capability to require passwords that meet accepted standards. For example, there is not a minimum password length or complexity requirement. Instead, the security administrator assigns passwords to ensure the password meets OSCA policy.
- Users are not required to change their password on a periodic basis or after a user account has been reset by a security administrator. The JIS has the ability to allow users to change their passwords; however, OSCA management disabled this capability because the JIS could not



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require users to create passwords that met OSCA policy or accepted standards.

- OSCA password management controls are not sufficient to prevent unauthorized access to the JIS data since employees with security administrator duties and/or employees with system administration duties⁶ have access to each user's JIS password. Security administrators enter passwords in the security management database containing information on users and their access rights. The passwords have been encrypted and stored in a file that all security administrators can access. The security of a password system is dependent upon keeping passwords secret. Allowing users access to a centralized list of passwords threatens the confidentiality and integrity of the data and information. In addition, system administrators have access to the passwords for the JIS user accounts they establish and the JIS does not have the capability to require passwords be changed upon the first logon session. Because these individuals have access to the passwords, they could use this information to masquerade as another user to gain unauthorized access to court case data.
- User accounts and passwords are shared. As noted above, the user account and password used to administer user accounts is shared by OSCA employees with security administration duties and the password is not periodically changed. In addition, the user accounts and passwords for privileged system-level accounts are shared among OSCA employees with system administrator duties and the passwords are not periodically changed.
- The JIS does not have the capability to retain previous passwords to prevent re-use.

Similar conditions were noted in our prior audit report. The OSCA Security Guidelines policy contains provisions for protecting user identifications and passwords. Policy requires users be uniquely identified and responsible for protecting login information, including passwords, from others. In addition, the OSCA policy requires passwords to be changed at least every 90 days. Without strong password controls, the likelihood that accounts could be compromised and used by unauthorized individuals to gain access to sensitive information is increased, according to the GAO. By allowing users to share accounts and passwords, individual accountability for system activity could be lost and unauthorized system activity could occur.

⁶ Security administrators are the individuals who set up and modify who has access to the system, according to accepted standards. System administrators are the managers and technicians who design and operate computer systems.



2.3 Transactional password policies

OSCA management has not ensured the JIS is designed effectively to ensure passwords are not shared. The JIS uses passwords to control who has the ability to perform certain functions, to help ensure incompatible functions are appropriately segregated. Specifically, the JIS has a password to control the ability to adjust fees and void a receipt and a separate password to void checks and payables. However, the passwords used to control each of these transactions are the same for all users of a single court. An OSCA official said a circuit clerk is provided access to the passwords and the ability to change the passwords. However, our audits of courts have noted this password may be shared with other users at the court. In addition, the password is only changed when deemed necessary by the local court appointing authority. The JIS does not have the functionality to require separate passwords for different users when the transaction is voided or to require the password to be changed on a periodic basis. Without the functionality to properly control these transactions, unauthorized system activity could occur.

2.4 Security activity monitoring

OSCA management has not established policies or procedures to monitor, review, and investigate audit trail records for defined security and audit related events. Determining what, when, and by whom specific actions were taken on a system is crucial to establishing individual accountability, monitoring compliance with security policies, and investigating security violations, according to the GAO.

The systems log certain activity by maintaining a record of every transaction made. However, OSCA officials said due to the large number of transactions generated by the systems, the logs are not being maintained in a manner that is easily retrievable and there are insufficient resources to monitor the logs in the current form. As a result, the OSCA does not proactively monitor for unusual or inappropriate activity on a regular basis.

In addition, the systems are not capable of logging all pertinent information, such as user account additions, changes, or deletions; unauthorized attempts to access the system; and unauthorized attempts to view or change security definitions and rules. Policies and procedures should establish the criteria for significant system events that should be logged and independently reviewed by management, according to accepted standards.

By not maintaining these logs, the OSCA is not able to provide logs to local court appointing authorities for their review. According to OSCA officials, logs may be reviewed on a case-by-case basis, but there is no proactive review. Instead the reviews are more reactive, based upon inquiries from appointing authorities about potential instances of inappropriate use. A similar condition was noted in our prior audit report.



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Audit and monitoring involve the regular collection, review, and analysis of auditable events for indications of inappropriate or unusual activity, and the appropriate investigation and reporting of such activity, according to the GAO. Further, the lack of frequent reviews of audit trail information may result in significant instances of misuse not being detected.

2.5 Incident response plan

OSCA management has not fully established an incident response plan. Incident handling and response is the process and actions an organization takes in detecting, reporting, and responding to a computer security incident, according to accepted standards. Once an incident has been identified, an agency's incident response procedures should provide the capability to correctly log the incident, properly analyze it, and take appropriate action, according to the GAO.

Examples of procedures recommended by accepted standards that have not been effectively established or documented include:

- Roles and responsibilities of those responsible for incident handling
- Prioritization of incidents, including timeframes for resolving incidents
- Collection of incident evidence
- Containment, eradication, and recovery strategies
- Lessons learned, including metrics to measure the incident response capability and its effectiveness

Without effective incident handling policies and procedures, an agency may be hampered in its ability to detect incidents, report incidents to the appropriate authorities, minimize the resultant loss and destruction, mitigate the exploited weaknesses, and restore services, according to the GAO.

2.6 Review of security settings

OSCA management has not established formal written policies to periodically review and evaluate the effectiveness of security settings for the system or the network. Although policies have not been established, an OSCA official said security settings for the JIS cannot be modified without programming changes, which would be accomplished through the change control process. According to the GAO, a key element of a security management program is ongoing testing and evaluation to ensure systems are in compliance with policies, and that policies and controls are both appropriate and effective.

Recommendations

The OSCA, in conjunction with the MCA Committee:

- 2.1 Establish a comprehensive risk assessment and management framework.
- 2.2 Investigate system changes to strengthen password controls to reduce the risk of password compromise and to help prevent



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unauthorized access. In addition, discontinue maintaining a centralized list of passwords.

- 2.3 Strengthen the transactional password controls to increase accountability.
- 2.4 Determine security events that should be logged and reviewed, including unusual and inappropriate activity, and monitor and review the audit trail logs to identify improper access or use of data. In addition, develop separate reports of security violations for use by local court officials.
- 2.5 Establish and document an incident response plan.
- 2.6 Develop formal policies to periodically review and test security settings.

Auditee's Response

- 2.1 &
2.5-2.6 *This recommendation will be presented to the MCA for consideration.*
- 2.2 *The JIS is deficient in its password capacity; however, JIS is only accessible through the court's network. There are approved network password guidelines which require complex passwords which must be changed at least every 90 days and force an inactivity logout every 15 minutes. The concern with JIS password limitations was raised in a previous audit and in response this issue is being addressed in development of the new CRMS (Show-Me Courts/SMC).*
- 2.3 *There are MCA approved security policies which prohibit sharing of passwords. The deficiencies noted are JIS limitations and are being addressed in development of Show-Me Courts.*
- 2.4 *The review of audit logs is a best practice. OSCA is currently evaluating software for the case management system. This recommendation will be presented to the MCA for consideration.*

3. System Planning

Opportunities exist to strengthen the planning and oversight of the CRMS.

Significant resources, both financial outlays and staff time, have been invested for the development and maintenance of the CRMS. However, OSCA management has not fully established some project cost management policies and procedures necessary to minimize project risk.



According to accepted standards, a project is a temporary process, which has a clearly defined start and end time, a knowable set of tasks, a management structure and a budget that is developed to accomplish a well-defined goal or objective. A project is considered a temporary process because once the end goal is achieved, the project is complete. For this reason, the end point of a project needs to be defined at the very beginning of the project to ensure successful completion. The reason some projects never end is because no one ever defined what constitutes a project's completion.

3.1 System development life cycle methodology

OSCA management has not fully documented the system development life cycle (SDLC) methodology or the policies and procedures for guiding the software development and modification process, including change control management for the system. SDLC is the overall process of developing, implementing, and retiring information systems through a multistep process from initiation, analysis, design, implementation, and maintenance to disposal, according to accepted standards. Change control is the process for managing and controlling changes to the configuration of an information system, according to accepted standards. Application software development and change controls help ensure that only authorized programs and authorized modifications are implemented, according to the GAO. This process is accomplished by instituting policies, procedures, and techniques that help ensure all programs and program modifications are properly authorized, tested, and approved.

Examples of procedures recommended by accepted standards that OSCA management has not effectively documented include:

- Security impact analysis procedures, including how and with what level of rigor analysis results are to be documented, and requirements for post-implementation review to confirm that the change was implemented as approved and that no additional security impact has resulted
- Requirements for testing of changes (such as a test plan, schedule, and test results)
- Requirements for access restrictions for change
- Requirements for rollback of changes in the event that problems occur

For the methodology to be properly applied, it should be sufficiently documented to provide staff with clear and consistent guidance, according to the GAO. Without proper application software development and change controls, there is a risk that security features could be inadvertently or deliberately omitted or "turned off" or that processing irregularities or malicious code could be introduced, according to the GAO.



3.2 Project cost management OSCA management did not prepare project budgets or estimates of project costs for the development, implementation, updating, and maintenance of all system changes required for the CRMS. In addition, OSCA management has not properly accounted for some project costs. Although vendor contracted costs are available to estimate and track project costs, OSCA management did not track these costs as an overall project budget or consider other project costs outside of the contracts, such as agency personnel costs.

The OSCA does not fully estimate the costs expected for each planned change. Since budgets had not been developed for projects or planned changes, OSCA management had not maintained the information needed to effectively monitor whether actual project costs were aligned with expected costs or to timely identify significant deviations. OSCA officials said costs were not monitored at the project level, but actual costs for court automation and IT expenditures were monitored against the budget at the department level.

OSCA records indicate at least \$218 million has been spent for the period of July 1, 1994, through June 30, 2015, for the court automation program; however, OSCA personnel indicated this amount is not completely accurate. Some reasons for inaccurate cost information include the following:

- Some hardware and software costs reported were not directly attributable to the CRMS and were directly attributable to other systems.
- OSCA staff time and costs were not tracked at the project level. As a result, the OSCA is unable to determine the amount of time charged that relates to the CRMS.
- Other project costs may have been incurred but charged to different funding sources.

OSCA officials said managing the CRMS is an ongoing process that is part of their daily duties and, as a result, they do not consider it necessary or beneficial to manage the system at a project level. The CRMS costs are a subset of the costs for the court automation program and some costs were shared.

According to accepted standards, organizations should prepare project budgets that reflect the full economic life cycle costs and the related benefits. In addition, organizations should manage project performance against key criteria, such as costs and schedule, to identify deviations from the plan and take remedial actions when required. To develop the budgets, management should identify the applicable cost factors associated with the project tasks, according to accepted standards. The development of costs for each task should be simple and direct and consist of labor (internal and



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external), material and other costs. The cost of performing a task is directly related to the personnel assigned to the task, the duration of the task, the cost of any non-labor items required by the task and any allocated indirect cost. Non-labor charges include such items as material costs, reproduction, travel, the cost of capital (if leasing equipment), computer center charges and equipment costs.

As part of the ongoing improvement to the CRMS, the OSCA is currently developing a new system to replace the JIS. To ensure prudent use of funds and resources, OSCA management should prepare a budget for this new system. A complete and well-planned budget can serve as a useful management tool by establishing specific cost expectations for each project, providing a means to effectively monitor actual costs, and assisting in keeping cost overruns to a minimum. In addition, an adequate system to track actual costs of developing and implementing a large system is necessary to properly monitor actual project costs and should be used to compare against project estimates and budgets. This information is necessary for making key project management decisions.

3.3 Future plans and costs

OSCA management has not developed a formal long-range plan or prepared adequate estimates of the additional costs expected for the CRMS. Officials said additional functionality and changes are still needed and planned for the CRMS. According to accepted standards, management should create a strategic plan that includes the initiatives required to achieve organizational goals. These initiatives should be translated into a high-level road map indicating the relative scheduling and interdependencies of the initiatives.

OSCA officials said plans are in place that establish the priorities of certain projects. However, these plans do not include some of the information recommended by accepted standards, such as clear details of the work breakdown structures. In addition, a complete long-term plan has not been established. The current plan is short-term, on a one-year timeframe. An OSCA official said priorities may change and plans are limited to available funding; in addition, unexpected mandates, such as statutory requirements, also require plans to be modified and schedules adjusted.

A report issued by the Committee on Legislative Research, Oversight Division in 2000 identified the OSCA had not developed long-range plans for the implementation and maintenance of the case management systems at the courts. In addition, Report No. 2006-01, *Office of State Courts Administrator*, issued in January 2006, noted the OSCA had not estimated the long-range costs.

A major funding source for the CRMS is the court automation fee established in section 488.027, RSMo. This fee was to sunset in 2018 but was reauthorized through September 2023 by the General Assembly in



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2016. A formal long-range plan was not prepared before the legislature extended the fee, but is necessary to ensure the General Assembly is aware of the state's total potential financial commitment prior to funding new features of the CRMS. Without developing formal long-range plans and cost projections, OSCA management is unable to ensure sufficient funding is available to support and complete additional system projects and ensure changes are prioritized and scheduled appropriately.

Recommendations

The OSCA, in conjunction with the MCA Committee:

- 3.1 Fully implement an appropriate system development life cycle methodology, including change control management policies.
- 3.2 Ensure future projects are supported by a formal project budget to ensure costs are accounted for and compared to budgeted amounts.
- 3.3 Develop a long-range plan. In addition, the OSCA should prepare a thorough and reliable financial projection to support future budgets and funding needs. The plan should be updated as necessary based on unexpected occurrences and actual costs.

Auditee's Response

- 3.1 *OSCA utilizes both Agile and Waterfall methodologies for application development. The MCA has a robust change control process which is documented and approved.*
- 3.2 *As noted, the CRMS is defined by OSCA as an ongoing process, whereas project costs are tracked at the project level (e.g. Pay by Web or eFiling) and court automation expenses are coded and capitalized.*
- 3.3 *Since the auditors' visit, the MCA has developed a detailed strategic plan which will provide a road map for future court automation including the CRMS. This plan contemplates the availability of fiscal and staff resources and tracks development from policy review through application maintenance and termination.*

Auditor's Comment

- 3.1 The system development life cycle should include the overall process of developing, implementing, and retiring information systems, not just application development and change control.

4. Contingency Planning

OSCA management has not fully established a business continuity plan or a disaster recovery plan to ensure the availability of technology resources.

4.1 Business continuity plan

OSCA management has documented and informally adopted a business continuity plan; however, the plan has not been formally approved by



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management, updated, or tested, increasing the risk the plan may not be adequate to support the timely recovery of business functions after the occurrence of a disaster or other significant incident.

OSCA adopted an emergency plan reference guide, which was approved, and considered as part of the agency's business continuity plan. However, the guide does not discuss some necessary policies or procedures related to business continuity planning, such as continuity planning philosophy or strategy. The draft business continuity plan was originally created in 2011; however, formal documentation of senior management approval was not maintained and the plan has not been updated since that time.

Continuity planning provides an efficient approach for agencies to develop policies and procedures for the timely recovery and restoration of critical processes and services vital to citizens, according to accepted standards. Continuity planning also provides a structured approach for developing cost-effective solutions that accurately reflect business requirements and integrate continuity planning principles into all aspects of information technology operations.

Without an up-to-date or tested business continuity plan, management has limited assurance the organization's business functions can be sustained during or promptly resumed after a disruptive incident.

4.2 Disaster recovery plan

OSCA management has not fully established a disaster recovery plan to ensure the availability of technology resources.

OSCA management has developed certain contingency plans and implemented basic controls for recovery planning. However, the disaster recovery plan has not been fully established or formally tested to ascertain the effectiveness of recovery procedures. The disaster recovery plan was last updated in May 2014. The plan does not include information that would be necessary should a disaster occur, such as locations of backup data or replacement equipment, responsibilities of key personnel, and procedures to re-establish communications. In addition, since the plan has not been fully developed, a formal test to ensure critical systems can be fully restored has not been performed. OSCA officials said some recovery procedures have been implemented but acknowledged the plan is not comprehensive and has not been fully updated to reflect changes in the operating environment.

Losing the capability to process and retrieve information can significantly affect an agency's ability to accomplish its mission, according to the GAO. If recovery plans are inadequate, interruptions can result in lost or incorrectly processed data and expensive recovery efforts. Given the implications of mission critical systems not being available for use, it is essential an agency maintains a tested plan to recover critical operations



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should interruptions occur. According to accepted standards, a disaster recovery plan is a written plan for recovering one or more information systems at an alternate facility in response to a major hardware or software failure or destruction of facilities. Recovery plans and procedures are essential steps in ensuring that agencies are adequately prepared to cope with the loss of operational capabilities due to a service disruption such as an act of nature, fire, accident, or sabotage. According to accepted standards, recovery plans should cover all key functions, including assessing an agency's information technology and identifying resources, minimizing potential damage and interruption, developing and documenting the plan, training personnel in their contingency roles and responsibilities and providing refresher training, and testing them and making necessary adjustments.

Without an operational disaster recovery plan, management does not have assurance technology resources could be restored in the event of a significant disruption to normal system operations and management has limited assurance data and systems could be recovered and made available to meet requirements in the event of failure at the primary processing location.

Recommendations

The OSCA:

- 4.1 Complete the process of documenting, approving, and testing the business continuity plan.
- 4.2 Establish, maintain, and test a comprehensive disaster recovery plan that reflects the current processing environment.

Auditee's Response

- 4.1 *OSCA agrees that having a fully developed and formally approved plan is best practice and will take this recommendation under advisement.*
- 4.2 *Disaster recovery capabilities are a part of ongoing operational activities and are currently in place. Many disaster recovery procedures are executed on a regular basis (e.g., a sample of production JIS databases are restored monthly to ensure the validity of the backups, weekly the Judicial Data Center 1 utilizes the alternate power supply from a generator). Concurrent testing of all disaster recovery capabilities will be presented to the MCA for consideration.*

5. Monitoring Reports

Opportunities exist to increase the efficiency and effectiveness of the monitoring performed of activity processed in the CRMS at the local courts. These opportunities to assist the courts could be accomplished through



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additional monitoring reports or other tools. Examples of the reports not currently available to courts include, but are not limited to, the following:

- A report to identify cases disposed with no fees or costs assessed. Without this report, cases could be inappropriately disposed without fees or costs assessed.
- A report to identify cases exempt from debt collections or cases with an unreasonable payment plan effective date or end date. Supreme Court Operating Rule (COR) 21.07 requires all courts using the JIS to participate in the tax offset and debt collection programs and requires the court to create payment plans in the JIS for all amounts not paid in full at case disposition. Without these reports, a case could be exempted from debt collections or a payment plan could be set for an unreasonable timeframe (such as 20 years from case disposition) without detection by management.
- A report to identify cases where the time payment fee was not assessed. COR 21.13 requires all divisions of the circuit courts, except municipal divisions, to assess a \$25 time payment fee on all cases not paid in full within 30 days of disposition. Currently, court clerks are required to manually assess the time payment fee. OSCA officials said work is being performed to modify the JIS functionality to automatically assess the time payment fee.
- Additional report(s) or other tool(s) to assist the courts in reconciling eFiling transactions. The manner in which eFiling receipts are processed result in reconciling differences between the CRMS and the bank. As a result, some courts have established manual processes to track these differences.
- A report to identify garnishments not disbursed within 10 days of receipt. Supreme Court Rule 90.11 states garnishments collected shall be disbursed to the garnishor by the court clerk, less costs, within 10 days unless the garnishee has requested an allowance under Supreme Court Rule 90.12(a). An OSCA official said the open items report currently available could be used to assist in identifying receipts not disbursed timely. However, this report only shows the last receipt date for a case, so manual reviews of each case with receipts not disbursed are necessary to identify the receipts included on the open items report that exceed the 10 days.

Without adequate monitoring reports being available to assist courts, there is an increased risk of court staff not being able to effectively and efficiently identify discrepancies, potential loss of revenue, or noncompliance with court regulations.

Recommendation

The OSCA, in conjunction with the MCA Committee, review potential reports to assist in increasing the effectiveness and efficiency of court staff monitoring procedures and implement these reports or tools as necessary.



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Auditee's Response

Since the auditors' visit, additional reporting tools have been deployed, including a report that identifies cases disposed with no fees or costs assessed and a report that assists clerks in identifying pending transactions in the clerk queue. Currently under development are a report to identify cases without a time payment fee and a report to identify cases without a payment plan.

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Division of Responsibility

OSCA officials provided a detailed breakdown of the main responsibilities set by the Missouri Court Automation Committee for OSCA and the local courts for the security, operation and maintenance of the case and record management system (CRMS) of the judiciary. OSCA is responsible for supporting the administration of the local courts and the local courts are responsible for the daily operations of court case management. Both OSCA and the local courts have responsibilities to ensure adequate controls are in place and operating effectively to maintain the integrity of court case data. This division of responsibility is described below.

The following tasks are the responsibility of staff at OSCA:

- Provide centralized security and database administration
- Grant system access once approved by the local courts
- Approve system access for OSCA staff
- Provide training, training materials, and procedure manuals for recommended use of the system (such as the Judicial Information System (JIS))
- Staff a help desk to provide assistance to the local courts
- Perform backup functions for servers and databases located at the OSCA and certain local courts
- Develop, test, and implement new systems
- Maintain the system, including testing and installing added functionality to existing systems
- Manage networking capabilities
- Maintain necessary hardware not provided by the local courts (i.e. computer servers)
- Liaison activities and contract management with court automation program vendors

The following tasks are the responsibility of the local court officials as they relate to the CRMS, with primary focus on the JIS:

- Approve system access for local court staff
- Perform case processing and management
- Receive, deposit and disburse monies
- Perform fiscal management, including daily accounting for cases and end-of-month accounting for the court
- Ensure compliance with procedures for recommended use of the CRMS
- Segregation of duties or a review of operations when segregation is not possible
- Physical security of court case information and computer equipment
- Maintain adequate work stations (i.e. personal computers)



Office of Missouri State Auditor
Nicole Galloway, CPA

Twenty-Sixth Judicial Circuit
City of Linn Creek
Municipal Division



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Linn Creek Municipal Division

Accounting Controls and Procedures	Accounting controls and procedures need improvement. The division employs one person who collects, records, and posts court monies to the case management system, creating a need for supervisory or independent reviews of accounting records. However, neither the Municipal Judge nor city personnel perform independent reviews. The Court Clerk does not prepare accurate bank reconciliations and does not follow up on reconciling items identified. Auditors found a shortage of \$407 in a division bank account but also identified a payment of \$410 that needed to be reimbursed to the division by the city. The Court Clerk does not periodically review accrued costs owed to the municipal division, including fines and court costs. As of March 17, 2016, accrued costs totaled \$7,669 in the case management system.
Municipal Division Procedures	The division does not file a monthly report of cases with the city. Fee adjustments in the case management system are not always properly documented, and the division has not established procedures for independent review and approval of such transactions. In a review of 59 fee adjustments, auditors identified six cases without a written judicial order. A final docket showing case activity and disposition is not printed and provided to the Municipal Judge. As a result, the Municipal Judge does not review and approve the final disposition of tickets paid through the violations bureau. The Court Clerk was unable to locate 3 of 80 case files we requested. The division and the police department did not work together to adequately account for all tickets issued. Forty of 570 tickets were not accounted for on the court clerk's log. Auditors also identified inadequate password controls for division computers.
Monitoring of Excess Revenue	The city failed to accurately calculate excess revenues from traffic violations, and based on auditors' calculations, \$12,576 should be remitted to the Department of Revenue for the fiscal year ended June 30, 2015.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Twenty-Sixth Judicial Circuit

City of Linn Creek Municipal Division

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NICOLE GALLOWAY, CPA
Missouri State Auditor

Presiding Judge
Twenty-Sixth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Linn Creek, Missouri

We have audited certain operations of the City of Linn Creek Municipal Division of the Twenty-Sixth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo, and as part of the State Auditor's Municipal Courts Initiative. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2015. The objectives of our audit were to:

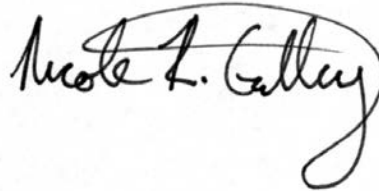
1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Linn Creek Municipal Division of the Twenty-Sixth Judicial Circuit.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written in a smaller, more compact script between the first and last names.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
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In-Charge Auditor:	Robert McArthur II

Twenty-Sixth Judicial Circuit

City of Linn Creek Municipal Division

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1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. The court uses an automated case management system known as the Judicial Information System (JIS) provided by the Office of State Courts administrator. The JIS indicates fines, court costs, and bonds collected during the year end June 30, 2015, totaled approximately \$98,000.

1.1 Oversight

Neither the Municipal Judge nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. Proper segregation of duties within the municipal division is not possible because the Court Clerk is the only municipal division employee.

The Court Clerk is responsible for all duties related to collecting court monies, recording, and posting these monies to the JIS and transmitting them to the City Clerk for deposit into the municipal division account. The City Clerk does not compare monies turned over for deposit to any manual receipt slips issued by the Court Clerk and the municipal division daily cashier report from the JIS to ensure the amount and composition agree and all receipts are properly recorded and transmitted for deposit.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented supervisory or independent reviews of accounting records.

1.2 Bank reconciliations

The Court Clerk does not prepare accurate bank reconciliations and does not follow up on reconciling items identified. The reconciled bank account balance at June 30, 2015, was \$1,881, while bond liabilities totaled \$1,967, indicating an \$86 shortage in the account. In addition, we noted additional uninvestigated differences totaling \$321 listed on the reconciliation increasing the actual shortage to \$407. However, we determined during our review of May 2015 receipts and disbursements that a payment of \$410 was both disbursed to the city and refunded to the defendant. This receipt incorrectly disbursed twice accounts for the shortage and should be reimbursed to the municipal division by the city.

Adequate and accurate bank reconciliations are necessary to ensure accounting records agree with bank records and errors or discrepancies are detected and corrected timely. Failure to resolve differences and reconciling items timely increases the risk that other errors or misstatements will not be detected and corrected timely.

1.3 Accrued costs

The Court Clerk does not periodically review accrued costs owed to the municipal division, including fines and court costs. The JIS tracks accrued costs and can produce a report of balances due; however, the Court Clerk does not print and review this report to identify cases that need additional



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collection efforts or are potentially uncollectible. As of March 17, 2016, accrued costs totaled \$7,669 in the JIS.

Proper and timely monitoring of receivables is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for non-payment. In addition, proper monitoring is necessary to provide information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible.

Recommendations

The City of Linn Creek Municipal Division:

- 1.1 Ensure documented thorough independent or supervisory reviews of municipal division accounting records are periodically performed.
- 1.2 Ensure bank reconciliations are performed and differences identified are investigated and resolved timely. In addition, the municipal division should request reimbursement of the \$410 incorrectly paid the city.
- 1.3 Establish procedures to routinely generate and review the accrued costs list, and ensure proper follow up on amounts due, and provide information to and work with the Municipal Judge regarding amounts deemed uncollectible.

Auditee's Response

The City of Linn Creek Municipal Division Court Clerk provided the following responses:

- 1.1 *Given the fact that we are a small municipality, we make every effort to follow governmental procedures. Any lack of oversight that had been previously discovered have since been corrected.*
- 1.2 *The current Court Clerk took over operations in January 2016, and since that time, has revamped and improved the process by which reconciliations are handled. The current Court Clerk has worked closely with the Office of State Courts Administrator in identifying issues, issues that predate the current Court Clerk's tenure, and rectifying problems as they arise. The city is confident that the procedures recommended by the State Auditor are being and will be followed moving forward.*
- 1.3 *The current Court Clerk has been in office since January of 2016. Since that time, she has worked, and continues to work, backward through the accrued costs to locate potential problems and rectify them when discovered. Again, in every instance where the State Auditor's report has indicated a deficiency in the current methodology, the city has every intention of correcting problems.*



The City of Linn Creek City Clerk provided the following response:

1.1 The City Clerk and Mayor are now performing documented reviews of work performed by the Court Clerk.

2. Municipal Division Procedures

Procedures related to reporting of cases heard, adjustments, case dispositions, municipal division records, ticket accountability, and passwords need improvement.

2.1 Report of cases heard

The municipal division does not file a monthly report of cases heard with the city. Without such a report, the city cannot effectively monitor municipal division activity and ensure monies are properly remitted.

Section 479.080.3, RSMo, and Supreme Court Operating Rule 4.29 require the Court Clerk to prepare a monthly report of all cases heard in the court, including the names of the defendants and fines and court costs imposed, to be verified by the Court Clerk or Municipal Judge and filed with the city.

2.2 Adjustments

Adjustments posted in the JIS are not always properly documented and the municipal division has not established procedures for review and approval of such transactions by persons independent of the receipting and record-keeping process. Adjustments include the reduction or non-assessment of fines and court costs in which the amounts due are changed or not assessed in the JIS. Most adjustments should be supported by a judicial order amending the defendant's debt owed. The fee adjustments report shows 59 adjustments totaling \$2,211 for the year ending June 30, 2015. In our review of the fee adjustments report and other select transactions, we noted the following 6 cases did not have a written judicial order to support the Court Clerk's fee adjustments:

- Two cases had removal of fees assessed in lieu of time served.
- Two cases had withdrawal of the defendant's guilty plea, dismissal of the cases, and refunds of fines and costs previously paid.
- One case had the remaining balance due written off.
- One case had the prior guilty plea set aside in exchange for an amended ticket with an additional fine assessed.

Adequate documentation and independent review and approval of adjustments are necessary to help ensure transactions are appropriate and reduce the risk of errors, loss, theft, or misuse of funds.

2.3 Case dispositions

The Court Clerk records the case activity and final disposition of each case on the official docket sheets maintained electronically in the JIS, but does



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not print the final docket for the Municipal Judge's review and approval. As a result, the Municipal Judge does not review and document approval of the final disposition of traffic and ordinance violation tickets paid through the violations bureau.

Without better oversight of all tickets processed, the risk of improper handling of tickets and related monies increases. To ensure the proper disposition of all cases has been entered in the municipal division records, the Municipal Judge should sign the final docket to indicate approval of the recorded disposition.

2.4 Municipal division records

Municipal division records are not maintained in a complete and organized manner. The Court Clerk documents case information for each defendant on backer sheets maintained in manual case files as well as computerized docket sheets maintained in the JIS. The Court Clerk could not locate 2 of 60 case files requested during the audit for comparison to information documented in the JIS, which showed both of these cases as dismissed. In addition, during our review of adjustments posted to the JIS, the Court Clerk could not locate 1 of 20 case files requested.

Supreme Court Operating Rule 4.08 requires municipal divisions to maintain a docket or backer sheet for each case. All information regarding the case should be documented including, but not limited to, a copy of the ticket, case number, defendant name, sentence, bond information, warrant information, and disposition of the case. In addition, Supreme Court Operating Rule No. 8.04.07 requires all financial records be maintained for 5 years or until completion of an audit. Retention of applicable records is necessary to properly account for the municipal division's financial activity. Failure to implement adequate record retention procedures increases the risk that loss, theft, or misuse of funds will go undetected.

2.5 Ticket accountability

The municipal division and the city police department did not work together to adequately account for the numerical sequence or disposition of all tickets assigned to and issued by the police department. The Court Clerk maintains a case number assignment log and records ticket sequence numbers on the log when police officers issue a ticket and submit it to the municipal division for processing. In addition, the police department maintains a separate log of tickets assigned to and issued by officers, but it is not requested by or provided to the Court Clerk. As a result, there are no procedures to collectively account for the numerical sequence of all tickets issued or to ensure the transmittal of all issued tickets to the municipal division.

For the year ended June 30, 2015, we identified 40 of 570 tickets that were not accounted for on the Court Clerk's log. At our request, the police department and Court Clerk determined that 20 of these tickets were never



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issued and still on hand, 14 were issued and filed with the Camden County Circuit Court, and 6 were voided. However, some of the tickets sent to the circuit court or voided were not retained by the police department, and/or copied and provided to the municipal division. In addition, the purpose for voiding a ticket was not documented and approved, and the disposition of all tickets was not consistently recorded on the Court Clerk's log.

Section VIII.D of Linn Creek Municipal Court Operating Order Number 1 requires the Court Clerk to work jointly with the police department to account for all traffic tickets in numerical sequence and maintain a record of the disposition of all tickets assigned and issued by the police department. Without properly accounting for the numerical sequence and disposition of tickets assigned and issued, the police department and the municipal division cannot ensure all tickets are properly submitted for processing. The ticket log records of the Court Clerk and the police department should be periodically compared to account for each assigned and issued ticket to decrease the risk of loss, theft, or misuse of funds. In addition, to ensure all voided tickets can be properly accounted for, written policies and procedures should be prepared for the handling of voided tickets.

2.6 Passwords

The municipal division has not established adequate password controls to reduce the risk of unauthorized access to computers and data. The Court Clerk shares her password for the JIS with the City Clerk and Mayor so they can access the system in case of emergency.

Passwords are required to authenticate access to computers. The security of a computer password is dependent upon keeping it confidential. However, since the Court Clerk's password is not kept confidential, there is less assurance it is effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

Recommendations

The City of Linn Creek Municipal Division:

- 2.1 Ensure a monthly report of cases heard in the municipal division is prepared and filed with the city in accordance with state law and the Supreme Court Operating Rule.
- 2.2 Ensure adequate documentation is maintained to support all adjustment transactions and ensure an independent review and approval of these transactions is performed and documented.



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- 2.3 Ensure the final court docket is generated for the Municipal Judge's signature to document the review and approval of all case dispositions.
- 2.4 Ensure sufficient documentation is maintained to support all case actions.
- 2.5 Work with the police department to ensure the numerical sequence and disposition of all assigned and issued tickets, including voided tickets, is accounted for properly.
- 2.6 Require employees keep passwords confidential to prevent unauthorized access to municipal division computers and data.

Auditee's Response

The City of Linn Creek Municipal Division Court Clerk provided the following responses:

- 2.1 &
- 2.2 *Given the fact that we are a small municipality, we make every effort to follow governmental procedures. Any oversights that had been previously discovered, have since been corrected.*
- 2.4 *The city maintains a manual record filing system that dates back to the 1940's. We are a small municipality. To introduce an electronic filing system would cost taxpayers too much money. We strive to maintain a complete and organized manual system and will continue to do so in the future.*
- 2.6 *The current Court Clerk was given a directive and followed it as ordered by her superiors. We now know that this is not the correct governmental procedure and have made corrections.*

The City of Linn Creek Municipal Judge provided the following response:

- 2.2 *In response to the adjustments that were made and described in Section 2.2, the Linn Creek Court Clerk and I met, and she provided me with the files referenced in Section 2.2. I made docket entries on the backer sheets and initialed or signed orders evidencing my approval of the adjustments. I again reiterated the instruction that I have always previously given that I have to sign all orders and judgments. Once a defendant has paid or pled guilty, that event cannot be changed without my written order. Fine amounts and cost amounts cannot be changed without my written order.*
- 2.3 *As for the issue of case dispositions that went through the violations bureau, I did see the number of cases that go through the municipal*



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City of Linn Creek Municipal Division
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court. As I stated to the auditors, there are generally 30 to 40 cases each month. Many tickets were paid before the court date, and those defendants did not appear in court. I did see a printout of the amounts collected by the Court Clerk for the tickets paid, but I did not have a report prepared each month for my signature showing all defendants, all case numbers, all charges, and all fines paid. The part of your report that is potentially misleading is the part where it states, "The Municipal Judge does not approve the final disposition of traffic and ordinance violation tickets paid through the violations bureau." The fines paid and costs assessed are paid and collected in accordance with the fine and cost schedule that I approved. The Court Clerk has no authority to change the fine or cost schedule. The wording in the report suggests that I have not approved the fine amounts or costs and that is simply not true. Perhaps it should read "The Municipal Judge had not signed a document each month evidencing his approval of all recorded dispositions that are paid by defendants through the mail or in advance of the Linn Creek court date."

After our post audit meeting, I had the Linn Creek Court Clerk create a new matrix spread sheet that provides the ticket numbers, the defendants' names, the charges, and the resulting case dispositions along with the amounts and types of fines assessed and costs assessed, if any, for each case disposed of each month. I reviewed and signed one of these forms for our most recent July 7, 2016, court date.

- 2.4 *I have instructed the Court Clerk to find the three missing files. She is at somewhat of a disadvantage as we have had a turnover in clerks over the past year. There have been three different clerks. It takes time to train and get them up to speed. She has found one of the files and is still trying to locate the other two.*

The City of Linn Creek Police Chief provided the following response:

- 2.5 *The police department would like to point out a few things that are not discussed in the Auditor's report. Police officers must sign a form to verify for all citations they are assigned which documents the numerical sequence of citations. Additionally, the police department routinely works with the Court Clerk to verify the ticket log book reflects proper accountability. Once a ticket is issued, police officers enter the citation into our records management system which also keeps track of the ticket data including the numerical sequence and citation numbers. The records management system, which was implemented in 2015, has additional accountability it provides which includes unique usernames and*



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passwords for security measures. However, the Auditor was not able to include the records management system in the finding due to the audit being conducted prior to the implementation of the system.

The police department was requested to provide a copy of a number of citations to the Auditor's staff who had some difficulty identifying a few citations on the previous Court Clerk's log sheets. The police department accommodated the Auditor's staff and supplied them with all of the copies they requested. This is reflected in the Auditor's own statements listed in section 2.5 paragraph 2, and 3. The Auditor did request that all voided citations be reviewed and signed off on by the Chief of Police; that recommendation has been implemented and is working quite well.

In closing, it is important to note that the citations have been properly accounted for and the Auditor's request and suggestions have been implemented.

Auditor's Comment

- 2.3 The monthly report the Municipal Judge was previously provided only showed court receipts in total. Preparation and approval of a final docket or report with detailed case disposition information for all cases processed would help the Municipal Judge ensure that the Court Clerk actually collected the fine and cost amounts as he authorized. It appears the new spreadsheet that is cited in the response will provide this information.
- 2.4 The Court Clerk's response indicates it would be too costly to introduce an electronic filing system. The court already uses the electronic JIS system and we are simply recommending the court ensure all documentation and files are complete and accessible, both electronic and manual formats.

3. Monitoring of Excess Revenues

Procedures related to the calculation of excess revenues due the Missouri Department of Revenue (DOR) are not adequate to ensure compliance with state law. The city's general operating revenue calculation improperly included revenues restricted for specific purposes. As a result, the city's calculations do not accurately assess the excess revenues owed to the DOR.

The city's excess revenue calculation (from audited financial records) for the year ended June 30, 2015, indicated the city's 2015 revenues from traffic violations totaled \$84,806, general operating revenues totaled \$388,832, the percent of general operating revenues from traffic violation revenues was 21.8 percent, and no payment was necessary to the DOR for any excess revenues for the year ended June 30, 2015.



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However, the amount reported by the city as general operating revenue for use in its excess revenue calculation was overstated by \$148,067. The city improperly included restricted revenues from law enforcement, capital improvement, park and transportation sales taxes, as well as restricted revenues from state motor vehicle taxes and fees in the calculation. These restricted revenues should be excluded from the general operating revenues used in the calculation of excess revenues due to the DOR.

The following table identifies the amount to be remitted to the DOR for excess revenue for fiscal year ended June 30, 2015, after excluding restricted revenues.

	Year Ended June 30, 2015
City Calculated General Operating Revenues	\$ 388,832
Less Restricted Revenues:	
Law Enforcement Sales Tax	(37,553)
Capital Improvement Sales Tax	(40,463)
Park Sales Tax	(19,795)
Transportation Sales Tax	(40,807)
Motor Vehicle Sales Tax & Fees	(3,533)
Motor Fuel Tax	(5,916)
General Operating Revenues	<u>240,765</u>
30 Percent of General Operating Revenues	<u>72,230</u>
City Calculated Traffic Violation Revenues	<u>84,806</u>
Excess Revenues	12,576
Amount Remitted to the DOR	<u>0</u>
Remaining Amount Due the DOR	<u>\$ 12,576</u>

Section 302.341, RSMo, (as it existed from August 28, 2013, to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations in its annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR.

Effective August 28, 2015, Senate Bill 5 changes the requirements regarding excess revenues. Section 479.350, RSMo, provides new definitions for elements of the excess revenue calculation. Section 479.359.1, RSMo, requires cities to annually calculate the percent of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations and send the excess revenues to DOR. Section 479.359.2, RSMo, reduces the amounts of these revenues the city may retain in the future.



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City of Linn Creek Municipal Division
Management Advisory Report - State Auditor's Findings

Due to the impact of these provisions on operations of the municipal division and the city it is important the city and its municipal division take immediate action to implement policies and procedures to ensure future compliance with state law.

Recommendation

The City of Linn Creek Municipal Division work with the city to ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues in the calculation. In addition, the Board of Aldermen should recalculate excess revenues for fiscal year 2015, and make appropriate payments to the DOR for any excess revenues identified.

Auditee's Response

The City of Linn Creek City Attorney provided the following response:

In response to the recommendations regarding the percentage of total allowable fines and costs able to be generated by the city, it is our steadfast goal to be in total compliance with all statutes and rules promulgated by the State Legislature, the Supreme Court of Missouri, and the State Auditor. For the trailing fiscal year, our revenue from court fines and costs was in excess of the amount allowable. This is unacceptable. However, the city hired an outside professional accounting firm at great cost to perform an audit of our finances, completion and reconciliation of our accounting books, and to inform us, among other things, where we stood with regard to the percentage of allowable revenue generated by fines and costs. Unfortunately, this firm incorrectly calculated the general operating revenue by nearly \$150,000. Essentially, the firm included funds generated from specific use taxes in our general fund, giving us the false impression that we were in compliance with the rules. As the recommendation from the Auditor's report indicates, that was not the case. Again, because the general fund amount was calculated incorrectly, the city was in error as to its position vis a vis the allowable percentages. The city has since retained the services of a different professional CPA firm and this problem will not be repeated in the future.

It was not, and is not our intention here at Linn Creek to be predatory towards our friends and neighbors in the community, the surrounding area, or the myriad tourists that come to enjoy the Lake of the Ozarks. To the contrary, we strive in all ways to keep our city and highways safe and to treat each citizen coming into contact with our law enforcement and municipal division with the utmost respect.

Twenty-Sixth Judicial Circuit

City of Linn Creek Municipal Division

Organization and Statistical Information

The City of Linn Creek Municipal Division is in the Twenty-Sixth Judicial Circuit, which consists of Camden, Laclede, Miller, Moniteau, and Morgan Counties. The Honorable Kenneth M. Hayden serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. The municipal division utilizes OSCA's statewide automated case management system known as JIS.

Personnel

At June 30, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	Erik Bergmanis
Court Clerk	Kathy Schimmel

Financial and Caseload Information

	Year Ended June 30, 2015
Receipts	\$98,295
Number of cases filed	535

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 11.00
Judicial Education Fund	1.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelter	2.00
Sheriff's Retirement Fund	3.00
Court Automation Fee	7.00
Failure to Appear (FTA) Fee ¹	50.00
Warrant Fee ²	20.00

¹ The FTA fee is authorized by city ordinance; however, the Municipal Judge indicated he has never ordered and the court has not collected this fee.

² The warrant fee is authorized by city ordinance; however, we saw no evidence it was ever assessed or collected.



Twenty-Sixth Judicial Circuit
City of Linn Creek Municipal Division
Organization and Statistical Information

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2014agencyreports.pdf?sfvrsn=2>. The following table presents 2014 data excerpted from the AGO report for the City of Linn Creek Police Department. In addition, see information at <https://ago.mo.gov/home/vehicle-stops-report/2014-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

Racial Profiling Data/2014 - Linn Creek Police Department - Population 201¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	705	697	4	3	1	0	0
Searches	20	20	0	0	0	0	0
Arrests	30	27	0	3	0	0	0
Statewide Population	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population	N/A	98.01	0	1.00	0.50	0.00	0.50
Disparity Index ²	N/A	1.01	#Div/0!	0.43	0.29	#Num!	0.00
Search Rate ³	2.84	2.87	0.00	0.00	0.00	#Num!	#Num!
Contraband hit rate ⁴	25.00	25.00	#Num!	#Num!	#Num!	#Num!	#Num!
Arrest rate ⁵	4.26	3.87	0.00	100.00	0.00	#Num!	#Num!

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#Num! indicates zero denominator

The 2015 data is available as of June 1, 2016, and can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2015agencyreports.pdf?sfvrsn=2>.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Montgomery County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Montgomery County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Beard-Boehmer & Associates, PC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

August 2016
Report No. 2016-057

AUDITED FINANCIAL STATEMENTS
MONTGOMERY COUNTY, MISSOURI
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014

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BEARD-BOEHMER & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI

MONTGOMERY COUNTY, MISSOURI
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July 14, 2016

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Montgomery County, Missouri

Report on the Financial Statements

We have audited the accompanying special purpose regulatory modified cash basis financial statements of Montgomery County, Missouri, which collectively comprise cash and investments for each fund as of December 31, 2015 and 2014, and the related statements of receipts, disbursements, and changes in cash and investments—budget and actual for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by Missouri Law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the special purpose financial statements are prepared by Montgomery County, Missouri, using accounting practices prescribed or permitted by Missouri Law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Montgomery County, Missouri, as of December 31, 2015 and 2014, and the changes in its financial position.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investment balances of each fund of Montgomery County, Missouri, as of December 31, 2015 and 2014, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of the financial reporting provisions of Missouri Law as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2016, on our consideration of Montgomery County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montgomery County, Missouri's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Montgomery County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

This report is intended solely for the information and use of management, County Commission, others within the entity, State of Missouri, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO



FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Fund	Cash and Investments January 1, 2015	Receipts	Disbursements	Cash and Investments December 31, 2015	Cash and Investments January 1, 2014	Receipts	Disbursements	Cash and Investments December 31, 2014
General Revenue	\$ 172,156	3,602,277	3,579,162	\$ 195,271	\$ 53,834	3,303,308	3,184,986	\$ 172,156
Special Road and Bridge	1,375,930	1,687,454	1,887,672	1,175,712	1,201,189	2,053,969	1,879,228	1,375,930
Assessment	260,097	280,103	242,520	297,680	236,834	265,220	241,957	260,097
Emergency Management	41,280	76,380	75,166	42,494	33,591	76,682	68,993	41,280
Emergency 911	4,897	141,949	143,050	3,796	29,373	133,398	157,874	4,897
Law Enforcement Sales Tax	40	528,138	528,053	125	-	291,533	291,493	40
Capital Improvements	409,528	532,353	342,174	599,707	93,385	509,153	193,010	409,528
Johnson Grass	5,769	-	2	5,767	5,769	-	-	5,769
Reserve General Revenue	6	200,000	2	200,004	6	-	-	6
Prosecuting Attorney Training	6,494	953	1,662	5,785	8,445	902	2,853	6,494
Prosecuting Attorney Bad Check/Administrative Cost	18,645	5,714	3,906	20,453	17,040	5,996	4,391	18,645
Prosecuting Attorney Delinquent Tax	12,758	611	1,931	11,438	13,478	799	1,519	12,758
Inmate Security	28,000	10,664	9,646	29,018	25,562	9,877	7,439	28,000
Dare/Pride	3,253	12	1,504	1,761	3,251	16	14	3,253
Sheriff Operations	51,736	67,496	50,333	68,899	87,731	49,512	85,507	51,736
Sheriff Revolving	47,532	17,413	3,646	61,299	38,709	9,343	520	47,532
Law Enforcement Training	13,932	3,795	5,452	12,275	13,104	3,533	2,705	13,932
POST Commission	1,561	1,762	2,014	1,309	1,553	1,682	1,674	1,561
County Law Enforcement Restitution	36,605	19,835	11,662	44,778	18,565	18,040	-	36,605
Special Elections	5,616	22,928	28,159	385	-	52,495	46,879	5,616
Election Services	4,090	3,012	6,475	627	2,051	5,954	3,915	4,090
Recorder User Fee	6,099	4,479	3,086	7,492	9,139	4,113	7,153	6,099
Recorder Technology	27,109	2,712	5,615	24,206	33,588	2,489	8,968	27,109
Local Emergency Planning Committee (LEPC)	24,277	3,805	5,383	22,699	29,508	149	5,380	24,277
Children's Trust	20,480	4,200	12	24,668	16,447	4,048	15	20,480
Collector's Tax Maintenance	38,825	22,848	19,573	42,100	32,518	22,090	15,783	38,825
Community Development Block Grant	A 1	2,216,897	2,075,131	141,767	-	4,254	4,253	1
Totals	\$ 2,616,716	9,457,790	9,032,991	\$ 3,041,515	\$ 2,004,670	6,828,555	6,216,509	\$ 2,616,716

A This is the separate bank account and transactions for the DED community development block grant not budgeted through any fund.

SEE NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

General Revenue Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 602,000	620,129	18,129	\$ 596,000	574,053	(21,947)
Sales taxes	1,262,000	1,324,411	62,411	1,560,000	1,269,738	(290,262)
Intergovernmental	652,340	624,715	(27,625)	656,840	672,690	15,850
Charges for services	360,000	384,582	24,582	348,500	358,130	9,630
Interest	2,000	3,383	1,383	1,500	2,347	847
Other	52,000	49,735	(2,265)	75,400	68,146	(7,254)
Transfers in	589,000	595,322	6,322	200,000	358,204	158,204
Total Receipts	\$ 3,519,340	3,602,277	82,937	\$ 3,438,240	3,303,308	(134,932)
DISBURSEMENTS						
General County Government-						
County Commission	\$ 156,130	154,136	(1,994)	\$ 164,330	151,939	(12,391)
County Clerk	123,510	123,699	189	113,840	121,670	7,830
Elections	7,120	-	(7,120)	20,000	28,002	8,002
Buildings and grounds	135,030	147,644	12,614	122,070	143,870	21,800
Employee fringe benefits	17,000	14,096	(2,904)	17,000	16,219	(781)
County Treasurer	52,789	50,891	(1,898)	52,990	51,922	(1,068)
County Collector	91,330	88,714	(2,616)	90,355	90,168	(187)
Recorder of deeds	84,855	84,497	(358)	73,340	73,167	(173)
Circuit Clerk	34,000	23,982	(10,018)	34,800	16,590	(18,210)
Court administration	45,510	45,804	294	45,440	44,442	(998)
Public Administrator	34,855	35,116	261	34,330	34,614	284
Planning and zoning	21,175	13,544	(7,631)	19,190	14,455	(4,735)
Surveyor	7,400	6,169	(1,231)	6,900	6,924	24
Other	283,050	285,631	2,581	265,000	250,021	(14,979)
Public Safety-						
Sheriff	717,000	659,822	(57,178)	710,100	622,343	(87,757)
Jail	1,151,890	1,089,226	(62,664)	1,107,100	1,014,385	(92,715)
Communications/dispatch	303,800	258,185	(45,615)	212,600	216,641	4,041
Prosecuting Attorney	228,095	210,170	(17,925)	218,042	200,751	(17,291)
Juvenile Officer	59,750	55,579	(4,171)	59,750	66,574	6,824
County Coroner	24,210	26,257	2,047	22,300	20,289	(2,011)
Transfers out	200	206,000	205,800	-	-	-
Emergency fund	107,420	-	(107,420)	101,680	-	(101,680)
Total Disbursements	\$ 3,686,119	3,579,162	(106,957)	\$ 3,491,157	3,184,986	(306,171)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (166,779)	23,115	189,894	\$ (52,917)	118,322	171,239
CASH AND INVESTMENTS, JANUARY 1	172,156	172,156	-	53,834	53,834	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 5,377	195,271	189,894	\$ 917	172,156	171,239

SEE NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Special Road and Bridge Fund							
	2015			2014			
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget	
RECEIPTS							
Property taxes	\$ 1,038,000	1,136,893	98,893	\$ 1,028,000	1,046,144	18,144	
Intergovernmental	442,900	541,218	98,318	490,800	987,397	496,597	
Charges for services	500	340	(160)	500	1,260	760	
Interest	8,000	8,679	679	6,000	8,979	2,979	
Other	10,000	324	(9,676)	10,100	10,189	89	
Total Receipts	\$ 1,499,400	1,687,454	188,054	\$ 1,535,400	2,053,969	518,569	
DISBURSEMENTS							
Salaries	\$ 430,000	428,845	(1,155)	\$ 430,000	408,762	(21,238)	
Employee fringe benefits	104,300	94,050	(10,250)	100,540	96,148	(4,392)	
Supplies	253,800	182,120	(71,680)	247,500	201,542	(45,958)	
Insurance	20,000	24,230	4,230	19,500	17,777	(1,723)	
Road and bridge materials	475,000	545,323	70,323	375,000	368,264	(6,736)	
Equipment repairs	80,000	83,409	3,409	80,000	85,176	5,176	
Rentals	5,000	-	(5,000)	1,000	7,643	6,643	
Equipment purchases	510,000	392,626	(117,374)	475,000	500,033	25,033	
Road and bridge construction	282,200	83,314	(198,886)	212,000	140,900	(71,100)	
Transfers out	83,020	53,755	(29,265)	58,220	52,983	(5,237)	
Total Disbursements	\$ 2,243,320	1,887,672	(355,648)	\$ 1,998,760	1,879,228	(119,532)	
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (743,920)	(200,218)	543,702	\$ (463,360)	174,741	638,101	
CASH AND INVESTMENTS, JANUARY 1	1,375,930	1,375,930	-	1,201,189	1,201,189	-	
CASH AND INVESTMENTS, DECEMBER 31	\$ 632,010	1,175,712	543,702	\$ 737,829	1,375,930	638,101	
Assessment Fund							
	2015			2014			
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget	
RECEIPTS							
Intergovernmental	\$ 248,840	267,014	18,174	\$ 233,970	247,103	13,133	
Charges for services	10,000	11,164	1,164	8,300	15,538	7,238	
Interest	1,300	1,785	485	1,300	1,628	328	
Other	-	140	140	-	951	951	
Total Receipts	\$ 260,140	280,103	19,963	\$ 243,570	265,220	21,650	
DISBURSEMENTS							
Assessor salary	\$ 41,500	41,500	-	\$ 41,000	41,000	-	
Other salaries	145,830	134,801	(11,029)	140,410	136,182	(4,228)	
Employee fringe benefits	34,260	28,296	(5,964)	38,890	33,969	(4,921)	
Office expenses	5,000	2,954	(2,046)	5,000	2,548	(2,452)	
Equipment	21,000	13,712	(7,288)	16,000	7,671	(8,329)	
Mileage and training	10,000	6,289	(3,711)	10,000	8,342	(1,658)	
Other	10,500	8,749	(1,751)	10,500	2,277	(8,223)	
Telephone	2,400	2,445	45	2,400	2,100	(300)	
Postage	5,500	-	(5,500)	5,500	4,500	(1,000)	
Midland geographic information system	1,500	680	(820)	1,500	-	(1,500)	
Copy machine lease	4,500	2,973	(1,527)	2,500	3,368	868	
Financial statement cost	300	121	(179)	200	-	(200)	
Total Disbursements	\$ 282,290	242,520	(39,770)	\$ 273,900	241,957	(31,943)	
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (22,150)	37,583	59,733	\$ (30,330)	23,263	53,593	
CASH AND INVESTMENTS, JANUARY 1	260,097	260,097	-	236,834	236,834	-	
CASH AND INVESTMENTS, DECEMBER 31	\$ 237,947	297,680	59,733	\$ 206,504	260,097	53,593	

SEE NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Emergency Management Fund						
	2015				2014		
	Final Budget	Actual	Actual Over (Under) Budget		Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS							
Intergovernmental	\$ 24,000	15,832	(8,168)	\$	22,000	26,274	4,274
Interest	200	328	128		200	301	101
Other	51,000	60,220	9,220		51,000	50,107	(893)
Total Receipts	\$ 75,200	76,380	1,180	\$	73,200	76,682	3,482
DISBURSEMENTS							
Salaries	\$ 40,960	40,947	(13)	\$	39,700	39,669	(31)
Employee benefits	10,920	10,761	(159)		11,490	11,586	96
Telephone	5,500	5,205	(295)		4,000	4,609	609
Equipment and maintenance	4,500	3,232	(1,268)		2,500	2,410	(90)
Supplies	150	150	-		150	20	(130)
Utilities	400	387	(13)		350	371	21
Repairs and upkeep	100	30	(70)		100	43	(57)
Mileage and training	1,800	1,487	(313)		1,800	814	(986)
Other	960	4,555	3,595		960	989	29
Software	1,200	305	(895)		-	-	-
Office expenses	600	486	(114)		500	663	163
Copy machine lease	1,740	1,636	(104)		1,740	997	(743)
Fuel/oil/tire/battery	2,000	914	(1,086)		2,700	1,822	(878)
Financial statement cost	100	71	(29)		-	-	-
Transfers out	5,000	5,000	-		5,000	5,000	-
Total Disbursements	\$ 75,930	75,166	(764)	\$	70,990	68,993	(1,997)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (730)	1,214	1,944	\$	2,210	7,689	5,479
CASH AND INVESTMENTS, JANUARY 1	41,280	41,280	-		33,591	33,591	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 40,550	42,494	1,944	\$	35,801	41,280	5,479

	Emergency 911 Fund						
	2015				2014		
	Final Budget	Actual	Actual Over (Under) Budget		Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS							
Charges for services	\$ 126,000	129,974	3,974	\$	119,000	131,167	12,167
Interest	130	38	(92)		130	116	(14)
Other	-	5,937	5,937		6,000	2,115	(3,885)
Transfers In	6,000	6,000	-		-	-	-
Total Receipts	\$ 132,130	141,949	9,819	\$	125,130	133,398	8,268
DISBURSEMENTS							
Salaries	\$ 55,800	63,476	7,676	\$	71,000	79,675	8,675
Employee benefits	13,510	14,535	1,025		20,010	20,361	351
Telephone	52,500	61,961	9,461		46,100	56,921	10,821
Equipment and maintenance	-	2,978	2,978		2,500	728	(1,772)
Supplies	-	29	29		-	-	-
Mileage and training	190	-	(190)		400	189	(211)
Miscellaneous	-	-	-		50	-	(50)
Financial statement cost	100	71	(29)		-	-	-
Total Disbursements	\$ 122,100	143,050	20,950	\$	140,060	157,874	17,814
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 10,030	(1,101)	(11,131)	\$	(14,930)	(24,476)	(9,546)
CASH AND INVESTMENTS, JANUARY 1	4,897	4,897	-		29,373	29,373	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 14,927	3,796	(11,131)	\$	14,443	4,897	(9,546)

SEE NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Law Enforcement Sales Tax Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Sales taxes	\$ 500,000	528,025	28,025	\$ -	291,493	291,493
Other	-	113	113	-	40	40
Total Receipts	\$ 500,000	528,138	28,138	\$ -	291,533	291,533
DISBURSEMENTS						
Financial statement cost	\$ 30	28	(2)	\$ -	-	-
Transfers out	499,970	528,025	28,055	-	291,493	291,493
Total Disbursements	\$ 500,000	528,053	28,053	\$ -	291,493	291,493
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	85	85	\$ -	40	40
CASH AND INVESTMENTS, JANUARY 1	40	40	-	-	-	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 40	125	85	\$ -	40	40

Capital Improvements Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Sales taxes	\$ 500,000	529,820	29,820	\$ 240,000	507,897	267,897
Interest	1,300	2,507	1,207	1,000	1,227	227
Other	7,500	26	(7,474)	34,000	29	(33,971)
Total Receipts	\$ 508,800	532,353	23,553	\$ 275,000	509,153	234,153
DISBURSEMENTS						
Salaries	\$ 36,000	50,070	14,070	\$ 34,050	32,231	(1,819)
Employee benefits	4,350	7,002	2,652	4,540	4,679	139
Equipment	280,000	285,014	5,014	1,000	66,193	65,193
Principal and interest	-	-	-	200,000	87,076	(112,924)
Administration	-	-	-	1,000	2,831	1,831
TIFF funds	20,000	-	(20,000)	-	-	-
General Revenue loan	-	-	-	127,000	-	(127,000)
Financial statement cost	30	88	58	-	-	-
Total Disbursements	\$ 340,380	342,174	1,794	\$ 367,590	193,010	(174,580)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 168,420	190,179	21,759	\$ (92,590)	316,143	408,733
CASH AND INVESTMENTS, JANUARY 1	409,528	409,528	-	93,385	93,385	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 577,948	599,707	21,759	\$ 795	409,528	408,733

Johnson Grass Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Other	\$ -	-	-	\$ -	-	-
Total Receipts	\$ -	-	-	\$ -	-	-
DISBURSEMENTS						
Other	\$ 1,020	2	(1,018)	\$ 1,000	-	(1,000)
Total Disbursements	\$ 1,020	2	(1,018)	\$ 1,000	-	(1,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,020)	(2)	1,018	\$ (1,000)	-	1,000
CASH AND INVESTMENTS, JANUARY 1	5,769	5,769	-	5,769	5,769	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 4,749	5,767	1,018	\$ 4,769	5,769	1,000

SEE NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Reserve General Revenue Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Transfers in	\$ 200	200,000	199,800	\$ -	-	-
Total Receipts	\$ 200	200,000	199,800	\$ -	-	-
DISBURSEMENTS						
Other	\$ 20	2	(18)	\$ -	-	-
Total Disbursements	\$ 20	2	(18)	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 180	199,998	199,818	\$ -	-	-
CASH AND INVESTMENTS, JANUARY 1	6	6	-	6	6	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 186	200,004	199,818	\$ 6	6	-

Prosecuting Attorney Training Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 800	921	121	\$ 800	863	63
Interest	100	32	(68)	100	39	(61)
Total Receipts	\$ 900	953	53	\$ 900	902	2
DISBURSEMENTS						
Mileage and training	\$ 3,480	1,041	(2,439)	\$ 3,500	1,356	(2,144)
Contract labor	1,500	600	(900)	1,500	1,497	(3)
Financial statement cost	20	21	1	-	-	-
Total Disbursements	\$ 5,000	1,662	(3,338)	\$ 5,000	2,853	(2,147)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,100)	(709)	3,391	\$ (4,100)	(1,951)	2,149
CASH AND INVESTMENTS, JANUARY 1	6,494	6,494	-	8,445	8,445	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,394	5,785	3,391	\$ 4,345	6,494	2,149

Prosecuting Attorney Bad Check/Administrative Cost Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 6,000	5,609	(391)	\$ 6,500	5,900	(600)
Interest	60	105	45	60	96	36
Total Receipts	\$ 6,060	5,714	(346)	\$ 6,560	5,996	(564)
DISBURSEMENTS						
Salaries	\$ 3,100	3,004	(96)	\$ 3,000	3,010	10
Employee benefits	370	257	(113)	500	326	(174)
Cell phone	240	240	-	240	240	-
Books and publications	900	384	(516)	900	671	(229)
Other	2,000	-	(2,000)	2,000	144	(1,856)
Financial statement cost	10	21	11	-	-	-
Total Disbursements	\$ 6,620	3,906	(2,714)	\$ 6,640	4,391	(2,249)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (560)	1,808	2,368	\$ (80)	1,605	1,685
CASH AND INVESTMENTS, JANUARY 1	18,645	18,645	-	17,040	17,040	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 18,085	20,453	2,368	\$ 16,960	18,645	1,685

SEE NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Prosecuting Attorney Delinquent Tax Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 500	548	48	\$ 1,000	451	(549)
Interest	100	63	(37)	100	348	248
Total Receipts	\$ 600	611	11	\$ 1,100	799	(301)
DISBURSEMENTS						
Supplies	\$ 1,000	285	(715)	\$ 1,000	235	(765)
Equipment	2,100	1,350	(750)	2,100	1,172	(928)
Other	480	271	(209)	500	112	(388)
Financial statement cost	20	25	5	-	-	-
Total Disbursements	\$ 3,600	1,931	(1,669)	\$ 3,600	1,519	(2,081)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,000)	(1,320)	1,680	\$ (2,500)	(720)	1,780
CASH AND INVESTMENTS, JANUARY 1	12,758	12,758	-	13,478	13,478	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 9,758	11,438	1,680	\$ 10,978	12,758	1,780

Inmate Security Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 3,500	3,894	394	\$ 3,600	3,408	(192)
Interest	100	144	44	100	137	37
Other	4,000	6,626	2,626	1,800	6,332	4,532
Total Receipts	\$ 7,600	10,664	3,064	\$ 5,500	9,877	4,377
DISBURSEMENTS						
Supplies	\$ 2,500	-	(2,500)	\$ 1,000	-	(1,000)
Equipment	15,000	9,632	(5,368)	10,000	7,439	(2,561)
Other	4,480	-	(4,480)	4,000	-	(4,000)
Financial statement cost	20	14	(6)	-	-	-
Total Disbursements	\$ 22,000	9,646	(12,354)	\$ 15,000	7,439	(7,561)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (14,400)	1,018	15,418	\$ (9,500)	2,438	11,938
CASH AND INVESTMENTS, JANUARY 1	28,000	28,000	-	25,562	25,562	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 13,600	29,018	15,418	\$ 16,062	28,000	11,938

Dare/Pride Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 15	12	(3)	\$ 14	16	2
Total Receipts	\$ 15	12	(3)	\$ 14	16	2
DISBURSEMENTS						
Other	\$ 1,480	1,490	10	\$ 1,500	14	(1,486)
Financial statement cost	20	14	(6)	-	-	-
Total Disbursements	\$ 1,500	1,504	4	\$ 1,500	14	(1,486)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,485)	(1,492)	(7)	\$ (1,486)	2	1,488
CASH AND INVESTMENTS, JANUARY 1	3,253	3,253	-	3,251	3,251	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 1,768	1,761	(7)	\$ 1,765	3,253	1,488

SEE NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Sheriff Operations Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 10,800	10,814	14	\$ 10,900	10,813	(87)
Charges for services	45,000	30,903	(14,097)	50,000	31,501	(18,499)
Interest	350	381	31	450	372	(78)
Other	22,000	25,398	3,398	15,000	6,826	(8,174)
Total Receipts	\$ 78,150	67,496	(10,654)	\$ 76,350	49,512	(26,838)
DISBURSEMENTS						
Supplies	\$ 1,980	48	(1,932)	\$ 3,000	1,094	(1,906)
Equipment and maintenance	35,000	21,760	(13,240)	45,000	34,363	(10,637)
Other	45,000	24,011	(20,989)	65,000	44,899	(20,101)
Training	3,000	426	(2,574)	5,000	1,151	(3,849)
Grant match funds	6,000	4,000	(2,000)	6,500	4,000	(2,500)
Financial statement cost	20	88	68	-	-	-
Total Disbursements	\$ 91,000	50,333	(40,667)	\$ 124,500	85,507	(38,993)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (12,850)	17,163	30,013	\$ (48,150)	(35,995)	12,155
CASH AND INVESTMENTS, JANUARY 1	51,736	51,736	-	87,731	87,731	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 38,886	68,899	30,013	\$ 39,581	51,736	12,155

Sheriff Revolving Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 7,500	17,139	9,639	\$ 6,500	9,132	2,632
Interest	200	274	74	100	211	111
Total Receipts	\$ 7,700	17,413	9,713	\$ 6,600	9,343	2,743
DISBURSEMENTS						
Equipment and supplies	\$ 19,980	3,632	(16,348)	\$ 15,000	520	(14,480)
Financial statement cost	20	14	(6)	-	-	-
Total Disbursements	\$ 20,000	3,646	(16,354)	\$ 15,000	520	(14,480)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (12,300)	13,767	26,067	\$ (8,400)	8,823	17,223
CASH AND INVESTMENTS, JANUARY 1	47,532	47,532	-	38,709	38,709	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 35,232	61,299	26,067	\$ 30,309	47,532	17,223

Law Enforcement Training Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 3,600	3,728	128	\$ 3,600	3,462	(138)
Interest	70	65	(5)	70	71	1
Other	-	2	2	-	-	-
Total Receipts	\$ 3,670	3,795	125	\$ 3,670	3,533	(137)
DISBURSEMENTS						
Mileage and training	\$ 5,980	4,473	(1,507)	\$ 6,000	725	(5,275)
Other	-	-	-	-	48	48
Ammunition	2,500	961	(1,539)	2,500	1,932	(568)
Financial statement cost	20	18	(2)	-	-	-
Total Disbursements	\$ 8,500	5,452	(3,048)	\$ 8,500	2,705	(5,795)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,830)	(1,657)	3,173	\$ (4,830)	828	5,658
CASH AND INVESTMENTS, JANUARY 1	13,932	13,932	-	13,104	13,104	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 9,102	12,275	3,173	\$ 8,274	13,932	5,658

SEE NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

POST Commission Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Other	\$ 1,800	1,762	(38)	\$ 1,800	1,682	(118)
Total Receipts	\$ 1,800	1,762	(38)	\$ 1,800	1,682	(118)
DISBURSEMENTS						
Other-office expense	\$ 1,780	2,004	224	\$ 1,800	1,674	(126)
Financial statement cost	20	10	(10)	-	-	-
Total Disbursements	\$ 1,800	2,014	214	\$ 1,800	1,674	(126)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	(252)	(252)	\$ -	8	8
CASH AND INVESTMENTS, JANUARY 1	1,561	1,561	-	1,553	1,553	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 1,561	1,309	(252)	\$ 1,553	1,561	8

County Law Enforcement Restitution Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 18,000	19,430	1,430	\$ 14,500	17,908	3,408
Interest	150	205	55	100	132	32
Other	-	200	200	-	-	-
Total Receipts	\$ 18,150	19,835	1,685	\$ 14,600	18,040	3,440
DISBURSEMENTS						
Other-office expense	\$ 18,280	11,660	(6,620)	\$ 9,000	-	(9,000)
Financial statement cost	20	2	(18)	-	-	-
Total Disbursements	\$ 18,300	11,662	(6,638)	\$ 9,000	-	(9,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (150)	8,173	8,323	\$ 5,600	18,040	12,440
CASH AND INVESTMENTS, JANUARY 1	36,605	36,605	-	18,565	18,565	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 36,455	44,778	8,323	\$ 24,165	36,605	12,440

Special Elections Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Other-election reimbursements	\$ 40,000	22,928	(17,072)	\$ 40,000	52,495	12,495
Total Receipts	\$ 40,000	22,928	(17,072)	\$ 40,000	52,495	12,495
DISBURSEMENTS						
Other-election costs	\$ 34,980	28,128	(6,852)	\$ 40,000	46,879	6,879
Financial statement cost	20	31	11	-	-	-
Total Disbursements	\$ 35,000	28,159	(6,841)	\$ 40,000	46,879	6,879
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 5,000	(5,231)	(10,231)	\$ -	5,616	5,616
CASH AND INVESTMENTS, JANUARY 1	5,616	5,616	-	-	-	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 10,616	385	(10,231)	\$ -	5,616	5,616

SEE NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Election Services Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 8,000	-	(8,000)	\$ 9,000	5,321	(3,679)
Interest	20	14	(6)	20	11	(9)
Other	500	2,998	2,498	-	622	622
Total Receipts	\$ 8,520	3,012	(5,508)	\$ 9,020	5,954	(3,066)
DISBURSEMENTS						
Equipment and maintenance	\$ 3,000	2,371	(629)	\$ 7,000	2,977	(4,023)
Supplies	500	-	(500)	2,000	498	(1,502)
Other	500	4,086	3,586	-	440	440
Financial statement cost	50	18	(32)	-	-	-
Total Disbursements	\$ 4,050	6,475	2,425	\$ 9,000	3,915	(5,085)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 4,470	(3,463)	(7,933)	\$ 20	2,039	2,019
CASH AND INVESTMENTS, JANUARY 1	4,090	4,090	-	2,051	2,051	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 8,560	627	(7,933)	\$ 2,071	4,090	2,019

Recorder User Fee Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 4,500	4,444	(56)	\$ 4,500	4,076	(424)
Interest	100	35	(65)	100	37	(63)
Total Receipts	\$ 4,600	4,479	(121)	\$ 4,600	4,113	(487)
DISBURSEMENTS						
Employee benefits	\$ -	-	-	\$ -	71	71
Equipment and maintenance	5,980	3,086	(2,894)	9,000	7,082	(1,918)
Financial statement cost	20	-	(20)	-	-	-
Total Disbursements	\$ 6,000	3,086	(2,914)	\$ 9,000	7,153	(1,847)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,400)	1,393	2,793	\$ (4,400)	(3,040)	1,360
CASH AND INVESTMENTS, JANUARY 1	6,099	6,099	-	9,139	9,139	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 4,699	7,492	2,793	\$ 4,739	6,099	1,360

Recorder Technology Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 2,300	2,582	282	\$ 2,700	2,330	(370)
Interest	100	130	30	100	159	59
Total Receipts	\$ 2,400	2,712	312	\$ 2,800	2,489	(311)
DISBURSEMENTS						
Equipment	\$ 26,980	5,615	(21,365)	\$ 33,000	8,968	(24,032)
Financial statement cost	20	-	(20)	-	-	-
Total Disbursements	\$ 27,000	5,615	(21,385)	\$ 33,000	8,968	(24,032)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (24,600)	(2,903)	21,697	\$ (30,200)	(6,479)	23,721
CASH AND INVESTMENTS, JANUARY 1	27,109	27,109	-	33,588	33,588	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,509	24,206	21,697	\$ 3,388	27,109	23,721

SEE NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Local Emergency Planning Committee (LEPC) Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 100	133	33	\$ 100	149	49
Other	3,500	3,672	172	7,000	-	(7,000)
Total Receipts	\$ 3,600	3,805	205	\$ 7,100	149	(6,951)
DISBURSEMENTS						
Equipment	\$ 20,000	-	(20,000)	\$ 20,000	-	(20,000)
Mileage and training	100	14	(86)	150	25	(125)
Other	4,980	5,355	375	15,000	5,355	(9,645)
Financial statement cost	20	14	(6)	-	-	-
Total Disbursements	\$ 25,100	5,383	(19,717)	\$ 35,150	5,380	(29,770)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (21,500)	(1,578)	19,922	\$ (28,050)	(5,231)	22,819
CASH AND INVESTMENTS, JANUARY 1	24,277	24,277	-	29,508	29,508	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,777	22,699	19,922	\$ 1,458	24,277	22,819

Children's Trust Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 4,300	4,088	(212)	\$ 4,300	3,958	(342)
Interest	60	112	52	60	90	30
Total Receipts	\$ 4,360	4,200	(160)	\$ 4,360	4,048	(312)
DISBURSEMENTS						
Other	\$ 4,980	-	(4,980)	\$ 5,000	-	(5,000)
Financial statement cost	20	12	(8)	-	15	15
Total Disbursements	\$ 5,000	12	(4,988)	\$ 5,000	15	(4,985)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (640)	4,188	4,828	\$ (640)	4,033	4,673
CASH AND INVESTMENTS, JANUARY 1	20,480	20,480	-	16,447	16,447	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 19,840	24,668	4,828	\$ 15,807	20,480	4,673

Collector's Tax Maintenance Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 20,000	22,611	2,611	\$ 20,000	21,870	1,870
Interest	100	237	137	100	220	120
Other	20,100	-	(20,100)	20,100	-	(20,100)
Total Receipts	\$ 40,200	22,848	(17,352)	\$ 40,200	22,090	(18,110)
DISBURSEMENTS						
Office supplies	\$ 7,980	4,215	(3,765)	\$ 8,000	1,181	(6,819)
Telephone	500	495	(5)	500	407	(93)
Equipment and maintenance	5,300	4,630	(670)	8,000	5,300	(2,700)
Mileage and training	2,000	1,127	(873)	2,000	786	(1,214)
Other	40,000	9,073	(30,927)	29,500	8,109	(21,391)
Contracted legal	1,000	-	(1,000)	1,000	-	(1,000)
Financial statement cost	20	33	13	-	-	-
Total Disbursements	\$ 56,800	19,573	(37,227)	\$ 49,000	15,783	(33,217)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (16,600)	3,275	19,875	\$ (8,800)	6,307	15,107
CASH AND INVESTMENTS, JANUARY 1	38,825	38,825	-	32,518	32,518	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 22,225	42,100	19,875	\$ 23,718	38,825	15,107

SEE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Montgomery County, Missouri is governed by a County Commission with three members. In addition to the three County Commissioners, there are eleven elected Officers: Assessor, Circuit Clerk, Recorder, County Clerk, Collector, Treasurer, County Surveyor, Coroner, Prosecuting Attorney, Public Administrator, and Sheriff.

As discussed further in Note 1.C., these special purpose financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the modified cash basis of accounting.

A. REPORTING ENTITY

The County's operations include tax assessments and collections, election services, state/county courts administration, recording of instruments, public safety and 911, economic development, road and bridge maintenance, public welfare and emergency management, and social and human services. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official.

The financial statements referred to above include the primary government of Montgomery County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the county's legal entity. This will not include the Montgomery County Health Department since this entity is considered a separate legal entity not under the control of the County and is not considered a component unit of the County. The Senate Bill 40 (DDAB) Board Fund is also not included in this report but has been audited separately by an independent certified public accountant. The financial statements do not include the following funds that are budgeted but handled by the Circuit Clerk and audited separately; Law Library, Circuit Clerk Interest, and Time Payment.

B. BASIS OF PRESENTATION

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts, and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain county officials, particularly the County Collector, Treasurer, Sheriff, and Public Administrator, collect and hold monies in a trustee capacity as an agent for individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds that are considered custodial in nature and are not reported on the accompanying financial statements.

C. BASIS OF ACCOUNTING

The financial statements are prepared on the modified cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

D. BUDGETS AND BUDGETARY ACCOUNTING

Procedures followed in establishing the budgetary data reflected in the financial statements follows:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. During January, each elected officer or department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the modified cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. A public hearing is conducted to obtain public comment on the budget documents. Prior to approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote. Budgeted amounts are as originally adopted or as amended by the County Commission during the year. The County Commission amended only the General Revenue Fund budget for 2015.
7. Budgets are prepared and adopted on the modified cash basis of accounting. Due to the passing of the new law enforcement sales tax in 2014, no budget was prepared.
8. The County has established a separate budgeted fund called the Reserve General Revenue Fund. This fund is set aside to transfer reserves from the General Revenue Fund, and then used to transfer monies back to the General Revenue Fund or to other funds as needed for payment of expenses.
9. Section 50.740, RSMo prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds as follows:

<u>Fund</u>	<u>Year(s) Ended December 31,</u>
Emergency 911	2015 and 2014
Law Enforcement Sales Tax	2015
Capital Improvements	2015
Dare/Pride	2015
POST Commission	2015
Special Elections	2014
Election Services	2015

E. SALES TAX AND USE TAX RATES

The county does not have a local use tax and has the following sales tax rates:

General sales tax-subject to rollback 50%	1/2%	\$	0.0050
General sales tax - funds dispatch services	1/4%		0.0025
General sales tax - expires 12/31/2019*	1/2%		0.0050
Law Enforcement sales tax	1/2%		0.0050
Capital improvements sales tax – expires 6/30/2034**	1/2%		0.0050
Total sales tax rate		\$	<u>0.0225</u>

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

*This sales tax is renewable by the voters every six years.

** This sales tax is renewable by the voters every 20 years.

F. PROPERTY TAXES

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in September and payable by December 31. Taxes paid after December 31 are delinquent and subject to penalties. The county bills and collects its own property taxes and also taxes for other local governments in the county.

The assessed valuation of the tangible property for purposes of local taxation was:

		2015		2014
Real Estate	\$	132,382,080	\$	130,835,070
Personal Property		38,179,650		42,450,691
Railroad and Utilities		47,620,147		48,660,498
Total Assessed Valuation	\$	<u>218,181,877</u>	\$	<u>221,946,259</u>

The countywide levy per \$100 of total assessed valuation of tangible property for purposes of local taxation was:

		2015		2014
General Revenue Fund	\$	0.2634	\$	0.2717
Special Road and Bridge Fund #		0.2997		0.3000
Road and Bridge [^]		0.2787		0.2787

[^] The County Road and Bridge district covers the entire area of the County. The maximum authorized tax levy for the most recent voter approved rate is \$0.3500. The Consolidated #1 Road District and the two special road districts receive funds from this tax rate proportionally to the valuation of the district.

The Consolidated #1 Road District has an additional voter approved maximum authorized levy rate of \$0.3000. County taxpayers must vote on the maximum authorized levy every four years.

The two special road districts also have an additional levy approved by the voters that must be voted on every four years. The special road districts retain four-fifths of the tax levy while the Special Road and Bridge Fund retains one-fifth.

The County has a Johnson Grass Fund for the control of noxious weeds but the County does not levy a property tax for its operations although it has a maximum ceiling of \$0.05.

G. CASH DEPOSITS AND INVESTMENTS

Cash deposits and investments in checking accounts, money market accounts and certificates of deposit are stated at cost, which approximates market. Cash balances for the County Treasurer's funds are invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less; however, nonnegotiable certificates of deposit with original maturity of greater than ninety days are considered as cash equivalents.

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the county's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

H. INTERFUND ACTIVITY

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. Transfers between funds for the years ended December 31, 2015 and 2014, were as follows:

		Year Ended December 31, 2015	
		Transfers In	Transfers Out
FUND:			
General Revenue	\$	595,322	\$ 206,000
Special Road and Bridge		-	53,755
Emergency Management		-	5,000
Emergency 911		6,000	-
Law Enforcement Sales Tax		-	528,025
Reserve General Revenue		200,000	-
Totals	\$	<u>801,322</u>	\$ <u>792,780</u>
		Year Ended December 31, 2014	
		Transfers In	Transfers Out
FUND:			
General Revenue	\$	358,204	\$ -
Special Road and Bridge		-	52,983
Emergency Management		-	5,000
Law Enforcement Sales Tax		-	291,493
Totals	\$	<u>358,204</u>	\$ <u>349,476</u>

The difference between transfers in and transfers out is related to transfers in recorded in the General Revenue Fund and shown as disbursements in other classifications in the appropriate funds instead of a transfer out.

The transfer from Special Road and Bridge Fund to the General Revenue Fund is based upon a statutory authority for administrative purposes.

Expenses shown on the budget document under the Law Enforcement Sales Tax Fund represent the distribution of the expenses paid by the County related to this fund but are already reflected in the disbursements classifications within the General Revenue Fund. Transfers are made to the General Revenue Fund for disbursements made for the Law Enforcement Sales Tax Fund. The summary of disbursements follows:

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

	2015		2014	
	Budgeted	Actual	Budgeted	Actual
Sheriff Department Expenses	\$ 174,990	\$ 186,345	\$ -	\$ 100,570
Jail Department Expenses	284,990	298,745	-	166,578
Prosecuting Attorney Expenses	39,990	42,935	-	24,345
Totals	\$ 499,970	\$ 528,025	\$ -	\$ 291,493

I. PUBLISHED FINANCIAL STATEMENTS

Under Section 50.800 and 50.810, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. For the years ended December 31, 2015 and 2014, the published financial statements included all funds and the required information.

NOTE 2. CASH AND INVESTMENTS

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with existing authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchases of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

The County has determined through experience that checking accounts, money market accounts, and certificates of deposits are appropriate types of accounts or instruments for its needs. Each fund type's portion of the cash and investments is included on the financial statements as "Cash and Investments" under each fund's caption. Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations.

At December 31, 2015 and 2014, the County had investments in two nonnegotiable certificates of deposit. These two certificates of deposit were held in the Johnson Grass Fund as follows:

Title of Certificates	Interest rate	Maturity	Balance at 12/31/15	Balance at 12/31/14
Johnson Grass Eradication	0.25%	3/23/16	\$ 3,000	\$ 3,000
Johnson Grass Administration	0.25%	5/18/16	1,936	1,936
Total			\$ 4,936	\$ 4,936

Disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of the disclosures, deposits with financial institutions are demand and time accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks and savings institutions.

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Insured and Collateralized Deposits

In accordance with state law, all uninsured deposits in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain state or political subdivision debt obligations, surety bonds, or certain letters of credit. Missouri statutes also require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

At December 31, 2015 and 2014, all of the County's deposits held at its banking facility were adequately covered by Federal Depository Insurance Coverage and with additional collateral held by an independent bank in the county's name or by its agent in the county's name. The County's deposits were not subject to custodial or investment credit risk at year end.

NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. Missouri Local Government Employees Retirement System (LAGERS)

1) Plan Description

Montgomery County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by state statute, sections RSMo 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the express intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

2) Pension Benefits

Upon termination of employment, any member who is vested is entitled to either an unreduced benefit annuity, payable at age sixty (police and fire fighters, age fifty-five), or a reduced benefit annuity, payable at age fifty-five (police and fire fighters, age fifty). Any member with less than five years of creditable service will be refunded accumulated plan contributions. As of December 31, 2015, the County had 77 employees enrolled in LAGERS.

3) Funding Policy

The County's full-time employees are required to contribute 4% to the LAGERS pension plan. The County is required by state statute to contribute at an actuarially determined rate: the rates for 2015 were .90% (general) and 3.00% (police) and for 2014 the rates were 3.20% (general) and 4.10% (police) of annual covered payroll. The County Commission determines the contribution requirements of plan members.

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS (CONTINUED)

4) Annual Pension Cost

During 2015 and 2014, total payments to LAGERS were \$140,939 and \$173,103, respectively.

B. County Employees' Retirement Fund

The County Employees' Retirement Fund (CERF) was established pursuant to SB 579, effective August 28, 1994, by the state of Missouri to provide a retirement benefit to eligible county employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties of not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under sections 56.800 to 56.840, RSMo; circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System; county sheriffs covered under sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The general administration and the responsibility for the proper operation of the Fund and the investment of the Fund are vested in a board of directors of eleven persons.

2) Pension Benefits

CERF first paid benefits beginning January 1, 1997. At that time a member could not retire until age 62. Beginning January 1, 2000, employees could retire with full benefits at age 62 or reduced benefits at age 55. The monthly benefit for county employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). An eligible death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two or a reduced benefit annuity at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the Fund but will be paid his or her accumulated contributions. As of December 31, 2015, the County had 79 employees enrolled in CERF.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling toll-free 1-877-632-2373.

3) Funding Policy

In accordance with state statutes, the Retirement Fund is partially funded through various fees collected and remitted to CERF. Depending on the hire date and LAGERS status, contribution rates can be 0%, 2%, 4%, or 6%. A county can choose to pay up to 4% for its employees. A contribution to CERF of 2% of annual salary is required for eligible employees hired before February 25, 2002, and a contribution of 6% of annual salary is required of employees hired after February 25, 2002, effective January 1, 2003, in order to participate in CERF. During 2015 and 2014, the County collected and remitted to CERF \$80,216 and \$78,324, respectively, for the years then ended.

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4. PROSECUTING ATTORNEY RETIREMENT

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys' and Circuit Attorneys' Retirement System Fund. Once remitted, the state of Missouri is responsible for administration of this plan. The County contributed \$2,244 for the years ended December 31, 2015 and 2014, on behalf of the Prosecuting Attorney.

NOTE 5. POST- EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the county.

NOTE 6. COMMITMENTS AND CONTINGENCIES

1) Compensated Absences

Annual vacation leave is accrued for eligible full-time employees and accrues at the following rates: 1 year, 1 week; 2 to 9 years, 2 weeks; 10 to 19 years, 3 weeks; and 20 years and over 4 weeks. Annual leave shall be used in its entirety each calendar anniversary year. The County does not observe the practice of rolling over unused annual leave from one year to the next. Employees will not be paid for unused annual leave at the anniversary date unless exceptions are approved. The County provides full time employees with sick and medical leave with pay at a rate of eight hours per month for continuous service. New employees must successfully complete six full months before accumulating sick leave. Upon termination, no payment will be made for unused sick and medical leave.

2) Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

3) Long Term Debt

The County paid off its remaining debt on the courthouse/jail project in July 2014 with a final payment of \$87,076. The County had the following debt outstanding at December 31, 2015:

1. The County Commission entered into a lease-purchase agreement in March 2014 to purchase two cars at an interest rate of 6.50% for a two year period ending March 14, 2016, with the initial payment of \$17,147 due at time of lease. The County paid \$15,118 in principal in 2015. The principal balance due at December 31, 2015, was \$16,100 with interest of \$1,047 for a total payment of \$17,147.

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. The County Commission entered into a lease-purchase agreement in December 2015 to purchase a van at an interest rate of 6.50% for a two year period ending December 2, 2017, with the initial payment of \$11,903 due at time of lease. The principal balance due at December 31, 2015, was \$21,670.

The remaining amounts on this agreement as of December 31, 2015, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 10,494	\$ 1,409	\$ 11,903
2017	11,176	727	11,903
Total	<u>\$ 21,670</u>	<u>\$ 2,136</u>	<u>\$ 23,806</u>

NOTE 7. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters; and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

NOTE 8. COMMUNITY DEVELOPMENT BLOCK GRANT ACTIVITY

Montgomery County was approved for a Community Development Block Grant through the Missouri Department of Economic Development (DED) in February 2010 with a total grant award of \$6,500,000 with the County's share of \$2,250,000. The County worked the grant project in conjunction with the Boonslick Regional Planning Commission. A separate bank account was opened with DED approval for the deposit and expenditure of monies. Monies were deposited by the state upon approval of expenditures by the County Commission. The activity related to the grant project was not budgeted or included in any County fund's activity.

SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			2015	2014
14.228	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through state: Department of Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2008-DI-08	\$ 2,075,131	\$ 4,253
15.226	U.S. DEPARTMENT OF THE INTERIOR Direct Program- Payment in Lieu of Taxes	PILT	1,389	1,400
17.278	U.S. DEPARTMENT OF LABOR Passed through state: Department of Economic Development, Division of Workforce Development WIA/WIOA Dislocated Worker Formula Grants			3,494
20.205	U.S. DEPARTMENT OF TRANSPORTATION Passed through state: Highway and Transportation Commission - Highway Planning and Construction	BRO-070 (16) BRO-070 (17)	- -	239,382 181,038
	Total U.S. Department of Transportation		-	420,420
39.003	GENERAL SERVICES ADMINISTRATION Passed through state: Office of Administration- Donation of Federal Surplus Personal Property	N/A	-	624
90.401	ELECTION ASSISTANCE COMMISSION Passed through state: Office of Secretary of State- Help America Vote Act		957	622
93.563	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through state: Department of Social Services- Child Support Enforcement		33,834	41,024
97.036	U.S. DEPARTMENT OF HOMELAND SECURITY Passed through state: Department of Public Safety- Disaster Grants - Public Assistance Grants (Presidentially declared disasters)		-	51,746
97.042	Emergency Management Performance Grants		15,833	26,273
	Total U.S. Department of Homeland Security		15,833	78,019
	Total Expenditures of Federal Awards		\$ 2,127,144	\$ 549,856
N/A	Not applicable			

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. PURPOSE OF SCHEDULE AND REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Montgomery County, Missouri.

B. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for service rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts the non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors. Because Montgomery County expended no noncash awards for the years ended December 31, 2015, and 2014, the schedule includes expenditures of cash awards only.

The amount for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represents the estimated fair market value (23.3 percent of original acquisition cost) of the property.

The amount for Child Support Enforcement (CFDA number 93.563) represents the actual expenses reimbursed by the state of Missouri at the federal rate of 66 percent.

C. BASIS OF ACCOUNTING

The schedule is presented on the cash basis of accounting, which recognizes amounts when disbursed in cash.

D. MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-federal funds (matching funds) to support the federally-funded programs. The County has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

NOTE 2. SUBRECIPIENTS

The County provided no federal awards to subrecipients during the two years ended December 31, 2015.

COMPLIANCE SECTION

July 14, 2016

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the County Commission and
Officeholders of
Montgomery County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the county funds of Montgomery County, Missouri, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Montgomery County, Missouri's basic financial statements, and have issued our report thereon dated July 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Montgomery County, Missouri's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

**MONTGOMERY COUNTY, MISSOURI
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted one immaterial instance of noncompliance we have reported to Montgomery County, Missouri in the accompanying Schedule of Findings and Responses as item 1.

Montgomery County, Missouri's Response to Finding

Montgomery County's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Montgomery County's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, County Commission, others within the entity, State of Missouri, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

July 14, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

To the County Commission
and Officeholders of
Montgomery County, Missouri

Report on Compliance for Each Major Federal Program

We have audited Montgomery County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Montgomery County, Missouri's major federal programs for the years ended December 31, 2015 and 2014. Montgomery County, Missouri's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Montgomery County, Missouri's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Montgomery County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Montgomery County, Missouri's compliance.

Opinion on Major Federal Program

In our opinion, Montgomery County, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2015 and 2014.

**MONTGOMERY COUNTY, MISSOURI
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)**

Report on Internal Control over Compliance

Management of Montgomery County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montgomery County, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Montgomery County, Missouri's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management, County Commission, others within the entity, State of Missouri, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

**MONTGOMERY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported
Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? yes X no

Identification of major program:

<u>CFDA Number</u>	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

This section includes no audit findings that are required to be reported under *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section includes no audit findings that are required to be reported under Section .510(a) of OMB Circular A-133.

**MONTGOMERY COUNTY, MISSOURI
SUMMARY OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

We noted one immaterial instance of noncompliance we have reported to Montgomery County, Missouri as noted below.

OTHER MATTER ON BUDGETARY NONCOMPLIANCE

1. Budgetary Noncompliance on Overspending of Budgets

Condition: The County Commission approved excess expenditures in various county funds as follows:

1. For the year ended December 31, 2014, the Emergency 911 Fund and the Special Elections Fund total expenditures exceeded the total budgeted appropriation by \$17,814 and \$6,879, respectively.
2. For the year ended December 31, 2015, the total expenditures exceeded the total budgeted appropriation in the following funds as follows:

Emergency 911	\$20,950
Law Enforcement Sales Tax	28,053
Capital Improvements	1,794
Dare/Pride	4
POST Commission	214
Election Services	2,425

Criteria: Section 50.540 RSMo, requires a budget be prepared for all county funds and the budget revised prior to authorizing expenditures in excess of the budget.

Cause: The County Commission, County Clerk, and other elected officials did not take appropriate measures to keep expenditures within the budgetary appropriations or amend the various budgets.

Effect: The County Commission, County Clerk, and other elected officials did not follow state law and budgetary guidelines on the preparation of budget documents.

Recommendation:

The County Commission, County Clerk, and other elected officials should keep total expenditures within the total appropriations for each county fund budgeted. If additional expenditures are considered necessary, appropriate budgetary amendments should be made and properly approved.

Response: The following funds were to be found to have gone over budget:

Emergency 9-1-1

2015—\$20,950 overage included wages and benefits, workers compensation premiums and telephone expenses.

2014—\$17,814 overage included wages and benefits, workers compensation premiums, unemployment payments, and telephone.

MONTGOMERY COUNTY, MISSOURI
SUMMARY OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

LEST

2015-\$28,053 overage was because the amount of revenues exceeded the budget and since what goes into this fund is transferred out the expenses exceeded as well.

Capital Improvements

2015-\$1,794 overage included wages and benefits, unemployment premium, and equipment.

Dare/Pride

2015-\$4 overage appears to be in operating materials.

Post Commission

2015-\$214 overage appears to be in operating expenses.

Special Elections

2014-\$6,879 overages appear to be election costs greater than anticipated.

Election Services

2015-\$2,425 overage appears to be an unexpected voting system cost.

In summary the office of the County Clerk will better utilize the budget tool, therefore, revise the budget document as per state statutes where necessary as to not exceed budgeted amounts approved and adopted by the County Commission.

**MONTGOMERY COUNTY, MISSOURI
FOLLOW UP ON PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

The County did not have an audit for the prior two years of 2012 and 2013 and, therefore, there are no prior audit findings to follow up on. The last audit of the County was for the two years ended December 31, 2011.



Office of Missouri State Auditor
Nicole Galloway, CPA

Cape Girardeau
Public School District

Student Data Governance



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Cyber Aware School Audit of the Cape Girardeau Public School District

Background	The Cape Girardeau Public School District's Student Data Governance Audit was completed as part of the Cyber Aware School Audits Initiative. These audits are designed to assess the effectiveness of privacy and security controls with a focus on identifying practices to improve the security of information school districts have on students and their families. The district uses a student information system (SIS) to maintain student data and to track and monitor academic progress. The SIS maintains private and confidential data, such as social security numbers and assessment test scores. Additional systems and applications that maintain data are used for administrative functions and to enhance student productivity and classroom collaboration. The district relies extensively on computerized systems to support its educational and mission-related operations and on information security controls to protect the sensitive data residing on those systems. Auditors identified areas where improvements are needed but also found the district has developed certain controls to establish a safe environment for using technology, including promoting online safety, security, and confidentiality.
Data Governance	The district has not established a comprehensive data governance program, a critical task for any educational organization. A comprehensive program is necessary to ensure the confidentiality, integrity, availability, and quality of data. Without a formal program, the district cannot ensure that personally identifiable information (PII) is adequately protected and safe from unauthorized access, misuse, or inadvertent disclosure.
User Accounts	The district has not fully established controls for maintaining user accounts for accessing system resources. The district has documented procedures in place to notify information technology staff of a user's departure. However, the procedures are not consistently applied to users who are not technically considered district employees. Auditors found four former users still had access to district systems 30 days or more after leaving the district. In addition, the district does not proactively monitor for student information system user accounts that have not been accessed or used for a specified period of time. The district also does not perform periodic reviews of users' access to data to ensure access remains appropriate and aligned with job duties.
Security Controls	The district has not implemented necessary security controls, leaving technology assets, including PII, at risk of inappropriate access, use, and disclosure. The district has not formally appointed any specific personnel to serve as security administrator or formally assigned responsibility for creating, implementing, and maintaining security policies and procedures. Without documented and approved policies and procedures, management lacks assurance that security controls are appropriate and properly applied.
Incident Response and Continuity Planning	The district has not taken all necessary measures to protect data in the event of a breach or other disruptive incident. The district has not formally documented policies and procedures for responding to security incidents, has not adopted a formal data breach response policy, and has not completed

the process of developing and testing a continuity plan. Without comprehensive incident response and breach-related policies, management may not be sufficiently equipped to respond quickly and effectively to an incident or breach, increasing the risk of potential harm to the district or affected individuals. Without a tested and functional continuity plan, management has limited assurance the organization's business functions and computer processing can be sustained during or promptly resumed after a disruptive incident.

Vendor Controls

The district has not established a process for ensuring software acquired or outsourced from information technology vendors complies with data security principles. Additionally, the district does not have a written contract with the vendor of a critical district system. Without an effective process for monitoring and managing risk of software acquisition or outsourcing, the district has less assurance in a vendor's ability to deliver services effectively, securely, and reliably and to ensure that services meet current and future data privacy and security needs.

Because of the nature of this report, no overall rating is provided.
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All reports are available on our Web site: auditor.mo.gov

Cape Girardeau Public School District Student Data Governance

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Board of Education
Cape Girardeau Public School District

Due to increasing concerns for protecting the security and privacy of information schools maintain on students and the continued emergence of cyber threats, we have audited the Cape Girardeau Public School District's student data governance program in fulfillment of our duties under Chapter 29, RSMo. This audit was conducted as part of the State Auditor's Cyber Aware School Audits Initiative and focused on evaluating the effectiveness of the data governance program, including identifying cybersecurity safeguards and privacy controls that help schools improve the security of student data.

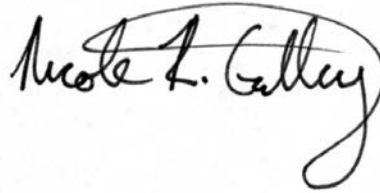
The objectives of our audit were to:

1. Evaluate the effectiveness of privacy plans and controls for safeguarding personally identifiable information.
2. Evaluate the effectiveness of information security controls for protecting the confidentiality, integrity, and availability of significant systems and information technology resources.
3. Evaluate compliance with certain legal provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) the need to fully establish certain privacy plans and controls, (2) the need to fully establish certain information security controls for protecting the confidentiality, integrity, and availability of significant systems and information technology resources, and (3) no significant noncompliance with legal provisions.

The accompanying Management Advisory Report presents our findings arising from our audit of the Cape Girardeau Public School District's student data governance program.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
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Audit Manager:	Jeffrey Thelen, CPA, CISA
In-Charge Auditor:	Alex R. Prenger, M.S.Acct., CPA
Audit Staff:	Patrick M. Pullins, M. Acct., CISA
	Michelle Johnson

Cape Girardeau Public School District Student Data Governance

Introduction

Background

The Cape Girardeau Public School District Student Data Governance Audit was completed as part of the Cyber Aware School Audits Initiative. These audits are designed to assess the effectiveness of privacy and security controls with a focus on identifying practices to improve the security of information school districts have on students and their families.

The district uses a student information system (SIS) to maintain student data and to track and monitor academic progress. The SIS maintains private and confidential data, such as social security numbers, assessment test scores, and other sensitive data. The district uploads various student data maintained in the SIS to the Department of Elementary and Secondary Education (DESE), Missouri Student Information System (MOSIS) Data Collection component periodically throughout the year. The MOSIS Data Collection component is used to collect student-level data from school districts for processing and reporting. Data submitted by the district includes elements such as enrollment and attendance, demographics, performance information, and college and career data used for evaluating the success and achievements of students. The district also uses a financial accounting system and a network management system for administering user access to various district resources. Other systems and applications are used for administrative functions and to enhance student productivity and classroom collaboration.

Cyber threats continue to emerge and evolve

As connectivity of business activity increases and organizations become increasingly dependent on technology, including computerized systems and electronic data, no school district is exempt from cyber threats, vulnerabilities, and privacy exposures. As a result, it is important to view information security and privacy as a business issue rather than strictly an information technology issue. Security threats, vulnerabilities, and privacy exposures challenge every organization, creating data protection and privacy risks that must be understood, addressed, and managed.

The National Institute of Standards and Technology (NIST) defines cybersecurity as the process of protecting information by preventing, detecting, and responding to attacks¹ while ISACA states cybersecurity encompasses all that protects enterprises and individuals from intentional attacks, breaches and incidents as well as the consequences.² Cybersecurity should be aligned with all other aspects of information security, including governance, management, and assurance. The state of being secure requires

¹ National Institute of Standards and Technology, Framework for Improving Critical Infrastructure Cybersecurity, Version 1, February 2014, is available at <<http://www.nist.gov/cyberframework/upload/cybersecurity-framework-021214-final.pdf>>.

² ISACA Cybersecurity Nexus, Transforming Cybersecurity, 2013.



Cape Girardeau Public School District Student Data Governance Introduction

maintenance and continuous improvement to meet the needs of stakeholders and the demands of emerging cyber threats.

In the 2015 High-Risk Series³ update, the Government Accountability Office (GAO) expanded the scope of the information security high-risk area to include protecting the privacy of personally identifiable information (PII).⁴ The GAO expanded this risk area due to the challenges of ensuring the privacy of PII created by advances in technology. Technology advances, such as lower data storage costs and increasing interconnectivity, have allowed both government and private sector agencies to collect and process extensive amounts of PII more effectively. Risks to PII can originate from unintentional and intentional threats. These risks include insider threats from careless, disgruntled, or improperly trained employees and contractors; the ease of obtaining and using hacking tools; and the emergence of more destructive attacks and data thefts.

Technology advances, combined with the increasing sophistication of individuals or groups with malicious intent, have increased the risk of PII being compromised and exposed. Correspondingly, the number of reported security incidents involving PII in both the private and public sectors has increased dramatically in recent years. At the same time, school districts are increasingly reliant on technology and information sharing to interact with students and parents and to deliver essential educational services. As a result, the need to protect information, including PII, against cyber threats is increasingly important.

The Privacy Rights Clearinghouse⁵ recorded breaches at kindergarten through grade 12 (K-12) educational institutions/school districts in the United States occurring during 2005 through 2015, potentially disclosing over 580,000 records of personal information.⁶ These breaches include only

³ Report GAO-15-290, Report to Congressional Committees, High-Risk Series An Update, February 2015, is available at <<http://www.gao.gov/assets/670/668415.pdf>>.

⁴ According to the Family Educational Rights and Privacy Act (FERPA), personally identifiable information (PII) includes, but is not limited to (a) the student's name; (b) the name of the student's parent or other family members; (c) the address of the student or student's family; (d) a personal identifier, such as the student's social security number, student number, or biometric record; (e) other indirect identifiers, such as the student's date of birth, place of birth, and mother's maiden name; and (f) other information that, alone or in combination, is linked or linkable to a specific student that would allow a reasonable person in the school community, who does not have personal knowledge of the relevant circumstances, to identify the student.

⁵ The Privacy Rights Clearinghouse is a nonprofit corporation whose mission is to engage, educate, and empower individuals to protect their privacy by raising awareness of how technology affects personal privacy.

⁶ Privacy Rights Clearinghouse, Chronology of Data Breaches, is available at <<http://www.privacyrights.org/data-breach>>. We downloaded a file containing all breaches and filtered the results to include only data breaches occurring at K-12 educational institutions.



Cape Girardeau Public School District Student Data Governance Introduction

those made public and the data reflects three data breach incidents at Missouri public school districts.

Data governance

According to the U.S. Department of Education, Privacy Technical Assistance Center (PTAC),⁷ data governance is an organizational approach to data and information management that is formalized as a set of policies and procedures encompassing the full life cycle of data, from acquisition to use to disposal. It includes establishing policies, procedures, and standards regarding data security and privacy protection, data inventories, content and records management, data quality control, data access, and data sharing and dissemination. Establishing a comprehensive data governance program helps ensure confidentiality, integrity, and availability of data and information by reducing data security risks due to unauthorized access or misuse of data.

Security and privacy controls

According to accepted standards, security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system to protect the confidentiality, integrity, and availability of a system and its information. Confidentiality refers to preserving authorized restrictions on information access and disclosure, including the means for protecting personal privacy and proprietary information. Integrity relates to guarding against improper information modification or destruction, and availability ensures timely and reliable access to and use of information. Effective privacy controls depend on the safeguards employed within the information system that is processing, storing, and transmitting PII and the environment in which the system operates. Organizations cannot have effective privacy without a basic foundation of information security. Without proper safeguards and controls, information systems and confidential data are vulnerable to individuals with malicious intentions who can use access to obtain sensitive data or disrupt operations.

Laws and regulations

Various federal and state laws and regulations pertain to the protection of sensitive student data, including the Family Educational Rights and Privacy Act (FERPA), the Individuals with Disabilities Education Act (IDEA), and the Protection of Pupil Rights Amendment (PPRA). Additionally, Section 161.096, RSMo, requires the State Board of Education to promulgate a rule regarding "student data accessibility, transparency, and accountability."⁸

⁷ U.S. Department of Education, Privacy Technical Assistance Center, Data Governance Checklist, is available at <http://ptac.ed.gov/sites/default/files/Data%20Governance%20Checklist%20%281%29.pdf>.

⁸ 5 CSR Section 20-700.100



Cape Girardeau Public School District Student Data Governance Introduction

Controls established

The district has an important responsibility for maintaining the privacy of student data and for implementing and maintaining information security controls. The district relies extensively on computerized systems to support its educational and mission-related operations and on information security controls to protect the sensitive data residing on those systems. While we found areas where improvements are needed, as discussed in the Management Advisory Report, we also found the district has established:

- A technology usage policy to facilitate access to district technology and to create a safe environment for using the technology, including promoting online safety, security, and confidentiality.
- A privacy and security awareness training program to facilitate understanding of the importance of privacy and security by all personnel.
- Policies and procedures, including applicable parent/student forms, required to be in compliance with the FERPA data disclosure and usage provisions.
- The controls and processes required to be in compliance with the Children's Internet Protection Act (CIPA).
- Certain controls designed to help ensure the privacy of data and to help ensure the confidentiality, integrity, and availability of significant systems and data maintained on those systems.

Cyber threats will continue to challenge operational resilience and business continuity preparedness. School districts can reduce the risks of breaches by remaining aware of emerging cyber threats and consider the potential impact to operational resilience.

Scope and Methodology

The scope of our audit included the Cape Girardeau Public School District's approach to data governance, including information security, privacy, and other relevant internal controls; policies and procedures; and other management functions and compliance issues in place.

Our methodology included reviewing written policies and procedures, and interviewing various district personnel. We obtained an understanding of the data governance approach and applicable controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violation of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.



Cape Girardeau Public School District Student Data Governance Introduction

We obtained a list of district employees as of April 2016 from the district's accounting system. We matched these records to the user account records from the district's student information system, financial accounting system, and network management system to determine if any terminated employees had active accounts. We also matched these records to users of the DESE statewide data collection systems. Although we used computer-processed data from these systems for our audit work, we did not rely on the results of any processes performed by these systems in arriving at our conclusions. Our conclusions were based on our review of the issues specific to the audit objectives.

We based our evaluation on accepted state, federal, and international standards; policies and procedures; and best practices related to information technology security and privacy controls from the following sources:

- National Institute of Standards and Technology (NIST)
- Government Accountability Office (GAO)
- ISACA (previously known as the Information Systems Audit and Control Association)
- U.S. Department of Education, Privacy Technical Assistance Center (PTAC)⁹

⁹ According to its web site, the U.S. Department of Education established the PTAC as a "one-stop" resource for education stakeholders to learn about data privacy, confidentiality, and security practices related to student-level longitudinal data systems. The PTAC provides information and guidance on privacy, confidentiality, and security practices through a variety of resources. PTAC information is available at <<http://nces.ed.gov/programs/ptac>>.

Cape Girardeau Public School District Student Data Governance Management Advisory Report

State Auditor's Findings

1. Data Governance

The district has not established a comprehensive data governance program. As a result, there is less assurance the data management and protection procedures in place are effective in reducing data privacy and security risks due to unauthorized access or misuse of data.

According to the U.S. Department of Education, Privacy Technical Assistance Center (PTAC), data governance is necessary to ensure the confidentiality, integrity, availability, and quality of data. Establishing a data governance program is a critical task for any educational organization. An effective program requires establishing decision-making authority, defining policies and practices for the protection of sensitive data, identifying and gaining support of stakeholders, implementing the program, and monitoring its success. By clearly establishing policies, standard procedures, responsibilities, and controls for data activities, a data governance program helps to ensure that information is collected, maintained, used, and disseminated in a manner that protects privacy, confidentiality, and security, while allowing educational organizations to meet their missions.

During our review of the district's data governance approach, we found improvements are needed in the following component areas:

- Responsibility for data management
- Data stewardship
- Inventory and classification of data
- Source and content of data
- Monitoring unauthorized disclosure of personally identifiable information (PII)
- Archival and/or destruction of data at the end of its lifecycle

The district has not formally assigned responsibility for management of the district's data. Assigning appropriate levels of authority to data stewards and proactively defining the scope and limitations of that authority is a prerequisite to successful data management.

The district has not developed a formalized data stewardship plan documenting policies and procedures to protect student data. Adopting and enforcing clear policies and procedures in a written data stewardship plan is necessary to ensure everyone in the organization understands the importance of data quality and security, and staff are motivated and empowered to implement data governance.

The district does not maintain an inventory of data files, data elements maintained in those files, and the criticality or sensitivity of the data. Conducting an inventory of all data that require protection is a critical step for data security projects. Maintaining an up-to-date inventory of all



Cape Girardeau School District Student Data Governance Management Advisory Report - State Auditor's Findings

sensitive records and data systems, including those used to store and process data, enables the organization to target its data security and management efforts. Classifying data by level of sensitivity helps the data management team recognize where to focus security efforts.

The district has not formally identified the source and content of elements within the data files maintained by the district. Closely managing data content, including identifying the purposes for which data are collected, is necessary to justify the collection of sensitive data, optimize data management processes, and ensure compliance with federal, state, and local regulations.

The district has not implemented a monitoring process to detect unauthorized disclosures of PII within its custody. Ensuring the security of sensitive and personally identifiable data and mitigating the risks of unauthorized disclosure of these data is a top priority for an effective data governance program.

The district has not adopted a formal policy regarding the archival or destruction of data at the end of its lifecycle. While some data may need to be maintained indefinitely according to various laws and regulations, other data may become unnecessary or irrelevant when a student graduates or otherwise leaves the district, and can be destroyed when no longer needed. Planning for data archival or destruction is an integral part of a high quality data governance program, according to the U.S. Department of Education, PTAC. Data destruction is the process of removing information in a way that renders it unreadable (for paper records) or irretrievable (for digital records). Establishing policies and procedures governing the archival or destruction of data allows an organization to more efficiently and safely protect its data and is a critical component of an effective data governance program.

Without a formal data governance program, the district cannot ensure that PII maintained by the district is adequately protected and safe from unauthorized access, misuse, or inadvertent disclosure.

Recommendation

The district should establish and implement a formal data governance program encompassing the full life cycle of data, from acquisition to use to disposal.

Auditee's Response

The district will formalize existing procedures into a comprehensive document as well as create policies for data record and element inventories; monitoring for unauthorized PII disclosures; and monitoring for compliance with district expectations by December 2016.



2. User Accounts

The district has not fully established controls for maintaining user accounts for accessing system resources. Accounts assigned to former users no longer providing services for the district are not always removed timely, periodic monitoring to identify inactive accounts is not always performed, and periodic monitoring of appropriateness of users' access is not performed.

2.1 Terminated users

The district's documented policies and procedures for disabling or removing user accounts timely after a user terminates require additional steps. As of May 2016, four former users still had access to a district system and information 30 or more days after leaving the district.

The district has documented procedures in place to notify information technology staff of a user's departure. However, the procedures are not consistently applied to users who are not technically considered district employees. For example, school resource officers are city employees who are granted user access to assist in performing law enforcement duties for the district. District administration does not consistently report the termination of school resource officers (or similar user types) to information technology staff. This increases the risk that user access remains active after termination.

Without effective (and consistent) procedures to remove access, terminated users could continue to have access to critical or sensitive resources or have opportunities to sabotage or otherwise impair entity operations or assets, according to the Government Accountability Office (GAO).

2.2 Inactive account monitoring

The district does not proactively monitor for student information system user accounts that have not been accessed or used for a specified period of time. The district does monitor account management system user accounts for this purpose. However, this review is not formally documented or fully effective, as it did not detect the four active accounts for terminated users discussed above.

Inactive accounts can indicate users no longer need the access privileges provided by the accounts and may be attractive targets for individuals attempting to gain unauthorized access since the account owners may not notice illicit activity on the accounts, according to the GAO. Without appropriate monitoring, security administrators are less likely to identify user accounts that had not been accessed or used for a specified period of time.

2.3 Review of user access

The district does not perform periodic reviews of users' access to data to ensure access remains appropriate and aligned with job duties.

As users' work assignments and job responsibilities change, access rights to district systems may be added, changed, or removed. Over time, users can



Cape Girardeau School District Student Data Governance Management Advisory Report - State Auditor's Findings

accumulate access rights that are no longer necessary, increasing the risk of inappropriate access to district data.

Without periodically reviewing user access rights, there is an increased risk that unauthorized alterations of the rights will go undetected or that access rights may not be aligned with current job duties.

Recommendations

The district:

- 2.1 Improve and consistently apply policies and procedures to ensure user accounts and related access privileges are removed timely upon user termination.
- 2.2 Periodically monitor student information system user account access to identify and evaluate inactive accounts, and document and improve existing account management system review procedures.
- 2.3 Periodically review user access to data and other information resources to ensure access rights remain appropriate and are commensurate with job duties and responsibilities.

Auditee's Response

- 2.1 *The district will update communication procedures to ensure changes in employment status of non-standard employees are brought to the Technology Department's attention by December 2016.*
- 2.2 &
2.3 *The district will implement periodic monitoring and review of district accounts, in addition to formally documenting existing procedures by December 2016.*

3. Security Controls

The district has not implemented all necessary security controls, leaving district technology assets, including PII, at risk of inappropriate access, use, and disclosure.

Logical security is the use of computer hardware and software to prevent or detect unauthorized access to systems, including the data therein. Logical security most often takes the form of user accounts and passwords, but also includes location and network based controls and security hardware, such as firewalls. Physical security is the protection of technology resources, including computers and network servers, from theft or damage. Physical security makes technology resources physically unavailable to unauthorized users and can include locked rooms and cabinets, periodic inventories of technology assets, and other measures to protect assets from unauthorized access.



Cape Girardeau School District Student Data Governance Management Advisory Report - State Auditor's Findings

3.1 Security administrator

The district has not formally appointed any specific personnel to serve as security administrator or formally assigned responsibility for creating, implementing, and maintaining security policies and procedures.

Accepted guidance from the U.S. Department of Education, PTAC states that organizations should develop comprehensive plans outlining organization policies and standards regarding data security and individual privacy protection. Such plans should clearly identify staff responsibilities for maintaining data security and empower employees by providing tools they can use to minimize the risks of unauthorized access to PII.

The district's technology coordinator and technology staff have been informally tasked with maintaining security of the district's technology resources and data. However, without a formal designation of staff responsible for security administration, there is increased risk that security policies and procedures may not be adequately designed, documented, implemented, and updated.

3.2 Access controls

The district has not fully established policies and procedures regarding user access to systems and data. As a result, certain access controls needed to protect systems have not been implemented.

Logon banners

The district does not display logon banners to users accessing district systems and data.

Logon banners should display information to system users regarding applicable privacy and security notices and required compliance with applicable laws, regulations, and policies. According to accepted standards, logon banners should state that a user is accessing a district provided information system; that usage of the system may be monitored, recorded, and subject to audit; that unauthorized use of the system is prohibited and may be subject to criminal and civil penalties; and that use of the system constitutes agreement with the terms. Without a displayed logon banner, users may not be informed or aware of the authorized or appropriate use of the system and data.

Concurrent users

The district has not established controls to limit or detect concurrent access to district systems.

Concurrent session controls prevent a single user from accessing an information system from more than a specified number of locations at any given time. These controls help prevent unauthorized users from accessing the system by masquerading as an authorized user.

According to accepted standards, the number of concurrent sessions for a user should be limited. Without limiting or detecting access from multiple



Cape Girardeau School District Student Data Governance Management Advisory Report - State Auditor's Findings

locations at the same time, management may not be able to ensure the confidentiality, integrity, and availability of data and the system.

3.3 Security logs

The district has not formally documented policies and procedures to identify the types of security events to be logged and monitored. As a result, there is less assurance that detected and logged security incidents are properly investigated and resolved.

The internal security policies within the district's network management system log thousands of entries each day. A majority of these entries, such as notification of successful login by system users, are of minimal use for security purposes. According to district staff, the network management system default logging settings are used. Because the district has not customized these settings regarding which events are logged, the security logs are voluminous and cannot effectively be monitored for unusual or suspicious activity.

The district should establish relevant criteria and identify significant system events that should be logged. At a minimum, all such significant events, including access to and modification of sensitive or critical system resources, should be logged. Also, logging should include appropriate information to facilitate monitoring of such significant system events.

Without an effective method to identify, log, and monitor significant security-relevant events, the district is at increased risk that unauthorized or inappropriate system activity may not be detected.

3.4 Physical security

The district has not fully established physical security controls to ensure protection of technology resources. We noted the following risks:

- Responsibility for physical security of technology resources has not been formally assigned.
- A documented policy for physical access to technology resources, including who can be authorized access to restricted or sensitive areas, has not been established.
- Procedures for allowing temporary or guest access (contractors and vendors for example) to technology resources, such as escort and sign-in procedures, were not documented.

The effectiveness of physical security controls depends on the effectiveness of the organization's policies and practices pertaining to the overall facility and to areas housing sensitive information technology components. Without adequate physical security controls, the district is at risk the physical infrastructure of the computer network could be accidentally or maliciously damaged, destroyed, or lost; causing significant issues for the district.



Cape Girardeau School District Student Data Governance Management Advisory Report - State Auditor's Findings

3.5 Documentation of security controls

The district has not documented policies and procedures for certain security controls.

According to the GAO standards for internal control, control activities are an integral part of an organization's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives and helps ensure that actions are taken to reasonably address risks. The following control activities, including policies and procedures, have not been fully documented:

- Policies regarding which security groups system users may be assigned to, along with the access rights granted each group.
- Policies describing who may be granted privileged access to district systems.

According to accepted standards, documentation of all aspects of computer support and operations is important to ensure continuity and consistency. Formalizing operational practices and procedures with sufficient detail helps to eliminate security lapses and oversights, gives new personnel sufficiently detailed instructions, and provides a quality assurance function to help ensure that operations will be performed correctly and efficiently.

Without documented and approved policies and procedures, management may not have assurance that control activities are appropriate and properly applied.

Recommendations

The district:

- 3.1 Formally appoint a security administrator who is responsible for developing and maintaining district security policies and procedures.
- 3.2 Fully establish access control policies and procedures by implementing logon banners for district systems to indicate appropriate use and by establishing security controls to manage and monitor the number of concurrent sessions for a single user.
- 3.3 Establish and document criteria for identifying which security events should be written to audit logs, monitored and investigated as security incidents.
- 3.4 Formally document responsibility for physical protection of technology resources and develop policies and procedures to effectively restrict physical access.



Cape Girardeau School District Student Data Governance Management Advisory Report - State Auditor's Findings

Auditee's Response

3.5 Fully document and regularly review security policies and procedures.

3.1 *The district will formally assign the technology coordinator as the security administrator.*

3.2 *The district will implement logon banners by August 2016. The district is currently following best practices where user logon activity is concerned. The district will work with our current software vendors to develop further controls on logon sessions.*

3.3 *The district will formally adopt the SANS Information Logging Standard template for logging security events by December 2016.*

3.4 *The district will formally document existing procedures by December 2016.*

3.5 *The district will formally document existing and newly created procedures by December 2016.*

4. Incident Response and Continuity Planning

The district has not taken all necessary measures to protect data in the event of a breach or other disruptive incident. The district does not have a complete incident response plan, has not adopted a formal data breach response policy, and has not fully documented and tested a continuity plan.

4.1 Incident response documentation

The district has not formally documented policies and procedures for responding to security events.

According to accepted standards, a security incident is an occurrence that actually or potentially jeopardizes the confidentiality, integrity, or availability of an information system or the information the system processes, stores, or transmits or that constitutes a violation or imminent threat of violation of security policies, security procedures, or acceptable use policies. After an incident has been identified, appropriate action should be taken to identify and remedy the control weakness that allowed the violation to occur, repair any damage that has been done, and determine and discipline the perpetrator. It is important that an organization have formal written procedures for reporting security violations or suspected violations to a central security management office so that multiple related incidents can be identified, other employees alerted to potential threats, and appropriate investigations can be performed.

Without prompt and appropriate responses to security incidents, violations could continue to occur and cause damage to an organization's resources indefinitely. Further, violators will not be deterred from continuing



Cape Girardeau School District Student Data Governance Management Advisory Report - State Auditor's Findings

inappropriate access activity, which could result in disclosure of confidential information and financial losses.

4.2 Data breach response policy

The district has not established a comprehensive data breach response policy. Implementing a data breach response policy is an essential step in protecting the privacy of student data.

A data breach is a security incident in which sensitive or confidential data, such as PII, has potentially been accessed, stolen, or used by an unauthorized individual. While the Family Educational Rights and Privacy Act (FERPA) does not contain specific breach notification requirements, the law requires recording of each data disclosure incident in the applicable record. However, the U.S. Department of Education, PTAC recommends all educational organizations create a data breach response policy, approved by the organization's leadership, that is germane to its environment. The policy should establish goals for the response process and include the definition of a breach, staff roles and responsibilities, as well as reporting, remediation, and feedback mechanisms. The policy should be well publicized and made easily available to all personnel whose duties involve data privacy and security protection.

Documenting and formalizing operational practices and procedures with sufficient detail helps to eliminate security lapses and oversights, gives new personnel sufficiently detailed instructions, and provides a quality assurance function to help ensure operations will be performed correctly and efficiently, according to accepted standards.

Without a comprehensive data breach response policy, management may not be sufficiently equipped to respond quickly and effectively in the event of a breach, increasing the risk of potential harm to affected individuals.

4.3 Continuity planning

The district has not completed or formally tested its continuity plan. Individuals responsible for carrying out those duties have not received formal training.

Elements of a continuity plan the district has not documented include:

- Priorities and procedures for the restoration of critical systems and data.
- Identification of persons responsible for restoration of specific systems and data.

According to accepted standards, a continuity plan or suite of related plans should be developed for restoring critical business functions and applications. The plans should include arrangements for alternative processing facilities in case the usual facilities are significantly damaged or cannot be accessed. Staff should be trained and aware of their



Cape Girardeau School District Student Data Governance Management Advisory Report - State Auditor's Findings

responsibilities to prevent, mitigate, and respond to emergency situations. For example, information security support staff should receive periodic training in emergency fire, water, and alarm incident procedures; and specific responsibilities for initiating and running an alternate data processing site.

Additionally, testing continuity plans is essential to determining whether the plans will function as intended in an emergency situation. The most useful scenarios involve simulating a disaster situation to test overall service continuity. Such an event would include testing whether the alternative data processing site will function as intended and whether critical computer data and programs recovered from off-site storage are accessible and current. Moreover, tests will assess how well employees have been trained to carry out their roles and responsibilities in a disaster situation. Any testing of continuity plans is likely to identify weaknesses in the plan, and it is important that the plan and related supporting activities, such as training, be revised to address these weaknesses. Otherwise, the benefits of the testing will be mostly lost.

District personnel created a continuity plan in August 2015; have held meetings to informally discuss how emergency situations, priorities, and responsibilities should be handled; and updated the plan in April 2016, indicating the district has made progress. However, the plan needs to be completed and formally tested. Without a tested and functional continuity plan, management has limited assurance the organization's business functions and computer processing can be sustained during or promptly resumed after a disruptive incident.

Recommendations

The district:

- 4.1 Establish and document an incident response plan that includes centrally tracking all security incidents.
- 4.2 Formally document and adopt a comprehensive data breach response policy to promote an appropriate response in the event of a breach of protected student data.
- 4.3 Continue developing a comprehensive continuity plan and formally assign responsibilities for development, implementation, and maintenance of the plan to appropriate personnel. Once established, ensure the plan is tested on a periodic basis.

Auditee's Response

- 4.1 *The district will formalize existing procedures into a comprehensive document by December 2016.*



Cape Girardeau School District Student Data Governance
Management Advisory Report - State Auditor's Findings

4.2 *The district will follow PTAC guidelines to document and adopt a comprehensive data breach response policy by December 2016.*

4.3 *The district will formalize existing procedures into a comprehensive document by December 2016. The district will also periodically test the plan once it has been implemented.*

5. Vendor Controls

The district has not fully established vendor monitoring controls and has not established a written contract with the vendor of a key system.

5.1 Vendor monitoring

The district has not established a process for ensuring software acquired or outsourced from information technology vendors complies with data security principles.

The district utilizes software products from a number of vendors to manage financial information, human resources data, student data, and other information. Generally, the district pays an annual licensing/maintenance fee for these products. Depending on the arrangement, some products are installed on district-owned equipment and maintained by district personnel (with additional support from the vendor), while others are hosted and maintained directly by the vendor. In this case, district personnel access the system remotely, typically via a secure website.

We reviewed contracts for several systems or software products used by the district. Although the specific language varied, each contract had a clause stating the vendor would provide appropriate security functionality for the district. However, district staff indicated they had not asked any vendors to provide documentation that their product's security functionality met generally accepted industry standards.

Accepted standards require organizations to periodically review the overall performance of vendors, compliance to contract requirements, and value for money, and address identified issues. Without an effective process for monitoring and managing risk of software acquisition or outsourcing, the district has less assurance in a vendor's ability to deliver services effectively, securely, and reliably and to ensure that services meet current and future data privacy and security needs.

5.2 Vendor contract

The district does not have a written contract with the vendor of a critical district system. Data maintained by the system is hosted locally by the district. However, data is also backed up to the vendor site daily. District staff indicated the system was implemented approximately 20 years ago and has been updated since then; however, the only documentation the district or the vendor could locate were startup and annual maintenance invoices.



Cape Girardeau School District Student Data Governance Management Advisory Report - State Auditor's Findings

Accepted standards require organizations to manage, maintain and monitor contracts and service delivery. The U.S. Department of Education, PTAC provides best practices for organizations entering into written agreements. These best practices include stating ownership of PII; agreeing on limitations on use of PII, including restrictions on marketing, advertising, and data mining purposes; and maintaining data in a secure manner by applying appropriate technical, physical, and administrative safeguards to properly protect PII. They also include setting terms for data destruction, identifying penalties for inappropriate disclosure, and defining terms for conflict resolution.

Without a written contract, the district cannot ensure the security and privacy of its data, and cannot rely on enforceable contractual provisions in the event of a vendor dispute or noncompliance.

Recommendations

The district:

- 5.1 Develop procedures to formally monitor information technology vendors to ensure the district's data is properly protected and the vendors act in accordance with contract terms and conditions.
- 5.2 Establish a written contract with the vendor defining expectations over district data and services provided.

Auditee's Response

- 5.1 *The district will develop a formal plan to monitor vendor contractual agreements by December 2016.*
- 5.2 *The district will develop a formal rubric for contracts with outside vendors that have access to confidential information.*

Cape Girardeau Public School District Student Data Governance Organization and Statistical Information

The Cape Girardeau Public School District is located in Cape Girardeau County.

The district operates a high school (grades 9-12), a junior high school (grades 7-8), a middle school (grades 5-6), five elementary schools (grades preK-5), a career center, and an alternative school. Enrollment (preK-12) was 4,231 for the 2015-2016 school year. The district employed 1,071 full- and part-time employees at April 1, 2016.

School Board and Key Personnel

An elected school board serves as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at April 1, 2016 were:

Kyle McDonald, President
Jeff Glenn, Vice President
Phil Moore, Member
Adrian Toole, Member
Tony Smee, Member
Don Call, Member
Lynn Ware, Member

The board members remained the same after the April 2016 election. However, on April 25, 2016, Jeff Glenn was elected President and Adrian Toole was elected Vice President.

Dr. James Welker serves as District Superintendent. Dr. Neil Glass is Assistant Superintendent, and Brian Hall is the Technology Coordinator.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Ripley County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Ripley County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the year ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

August 2016
Report No. 2016-059

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
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FINANCIAL SECTION



Daniel Jones & Associates

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Ripley, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Ripley ("County"), Missouri, which comprise cash and unencumbered cash for each fund as of December 31, 2015, and the related statements of cash receipts and disbursements and disbursements-budget and actual for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting, a financial reporting framework prescribed or permitted by Missouri law as described in Note I of the accompanying financial statements. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note I of the financial statements, the financial statements are prepared on the basis of the financial reporting provisions prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Missouri.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note I and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash of each fund of the County as of December 31, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note I.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Ripley’s basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2016, on our consideration of the County of Ripley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Ripley's internal control over financial reporting and compliance.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

July 28, 2016

FINANCIAL STATEMENTS

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

FUND	CASH BALANCES JANUARY 1, 2015	RECEIPTS 2015	DISBURSEMENTS 2015	CASH BALANCES DECEMBER 31, 2015
GENERAL REVENUE FUND	\$ 752,023.62	\$ 1,050,791.02	\$ 980,729.69	\$ 822,084.95
SPECIAL ROAD AND BRIDGE FUND	57,311.72	673,271.25	650,811.29	79,771.68
LAW ENFORCEMENT SALES TAX FUND	10,249.26	1,064,764.20	1,068,933.11	6,080.35
ASSESSMENT FUND	38,251.80	113,137.48	118,502.45	32,886.83
CHILDREN'S TRUST FUND	377.38	518.68	629.33	266.73
COLLECTOR'S TAX MAINTENANCE FUND	13,755.10	14,830.93	17,046.51	11,539.52
COMMUNITY PROJECTS FUND	100.00	466,007.25	466,007.25	100.00
DOMESTIC VIOLENCE FUND	1,145.88	2,035.69	2,171.82	1,009.75
ELECTION FUND	-	17,022.95	17,022.95	-
ELECTION SERVICES FUND	27,170.71	2,177.04	338.09	29,009.66
FOREST SERVICE TITLE III FUND	-	47,335.97	47,335.97	-
LAW ENFORCEMENT BLOCK GRANT FUND	-	6,560.00	6,560.00	-
LAW ENFORCEMENT RESTITUTION FUND	59,789.58	87,225.99	72,500.00	74,515.57
LAW ENFORCEMENT TRAINING FUND	4,143.62	2,710.21	1,993.43	4,860.40
PRODUCTIVE LIVING BOARD FUND (SB40)	283,812.49	95,322.18	128,945.50	250,189.17
PROSECUTING ATTORNEY ADMINISTRATIVE HANDLING COST FUND	-	10,481.63	10,481.63	-
PROSECUTING ATTORNEY RETIREMENT FUND	24.78	2,246.84	2,244.00	27.62
PROSECUTING ATTORNEY TRAINING FUND	219.88	425.86	522.07	123.67
RECORDER USER FEE FUND	37,948.88	8,137.51	10,217.27	35,869.12
SENIOR CITIZENS TAX FUND	38,027.34	47,935.95	42,653.00	43,310.29
SHERIFF'S CIVIL FEE FUND	1,719.16	14,080.80	14,270.66	1,529.30
SHERIFF'S FORFEITURE FUND	747.27	15.59	-	762.86
SHERIFF'S REVOLVING FUND	6,485.41	20,182.94	16,634.17	10,034.18
TOTAL	\$ 1,333,303.88	\$ 3,747,217.96	\$ 3,676,550.19	\$ 1,403,971.65

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	GENERAL REVENUE FUND	
	2015	
	BUDGET	ACTUAL
RECEIPTS		
Property Taxes	\$ 13,250.00	\$ 14,189.21
Sales Taxes	510,000.00	498,893.11
Intergovernmental	297,308.00	301,924.19
Charges for Services	154,600.00	158,319.44
Interest	12,000.00	14,634.99
Other	25,000.00	27,606.08
Transfers In	29,025.00	35,224.00
TOTAL RECEIPTS	1,041,183.00	1,050,791.02
DISBURSEMENTS		
County Commission	86,208.00	76,732.15
County Clerk	85,100.00	74,797.01
Elections	-	-
Buildings and Grounds	63,163.00	60,158.73
Employee Fringe Benefits	45,000.00	37,479.32
County Treasurer	45,222.00	44,335.08
Collector	88,472.00	82,776.70
Recorder of Deeds	68,157.00	68,986.14
Circuit Clerk	30,000.00	14,233.93
Public Administrator	50,910.00	48,865.78
Child Support Enforcement Unit	22,205.00	22,206.32
Emergency Management	21,600.00	20,316.59
Other County Government	198,343.00	187,616.94
Emergency Fund	35,000.00	-
Transfers Out	272,225.00	242,225.00
TOTAL DISBURSEMENTS	1,111,605.00	980,729.69
RECEIPTS OVER (UNDER)		
DISBURSEMENTS	(70,422.00)	70,061.33
CASH, JANUARY 1	752,023.62	752,023.62
CASH, DECEMBER 31	\$ 681,601.62	\$ 822,084.95

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

SPECIAL ROAD AND BRIDGE FUND		
2015		
	BUDGET	ACTUAL
RECEIPTS		
Property Taxes	\$ -	\$ -
Sales Taxes	-	-
Intergovernmental	1,075,000.00	641,369.85
Charges for Services	11,000.00	27,170.51
Interest	1,500.00	2,139.86
Other	-	2,591.03
Transfers In	-	-
TOTAL RECEIPTS	1,087,500.00	673,271.25
DISBURSEMENTS		
Salaries	175,000.00	148,220.15
Employee Fringe Benefits	32,100.00	24,618.48
Supplies	150,000.00	99,690.25
Insurance	13,500.00	13,340.00
Road & Bridge Materials	38,500.00	26,285.64
Equipment Repairs	16,350.00	13,886.28
Rentals	500.00	865.96
Equipment Purchases	48,000.00	152,656.20
Road and Bridge Construction	545,000.00	78,189.27
Other Expenditures	67,550.00	65,234.06
Transfers Out	27,825.00	27,825.00
TOTAL DISBURSEMENTS	1,114,325.00	650,811.29
RECEIPTS OVER (UNDER)		
DISBURSEMENTS	(26,825.00)	22,459.96
CASH, JANUARY 1	57,311.72	57,311.72
CASH, DECEMBER 31	\$ 30,486.72	\$ 79,771.68

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	LAW ENFORCEMENT SALES TAX FUND	
	2015	
	BUDGET	ACTUAL
RECEIPTS		
Property Taxes	\$ -	\$ -
Sales Taxes	510,000.00	499,019.88
Intergovernmental	159,500.00	172,678.20
Charges for Services	3,000.00	1,349.26
Interest	500.00	464.40
Other	-	9,936.28
Transfers In	415,200.00	381,316.18
TOTAL RECEIPTS	1,088,200.00	1,064,764.20
DISBURSEMENTS		
Sheriff	379,496.00	371,566.36
Jail	307,500.00	305,778.33
Prosecuting Attorney	165,114.00	155,833.91
Juvenile Officer	68,070.00	68,070.04
Coroner	29,600.00	25,372.39
Fringe Benefits	52,000.00	49,531.79
Building & Grounds	10,138.00	19,402.11
Insurance	11,000.00	9,144.00
Deputy Supplemental Salaries	45,000.00	43,537.00
Revolving Fund Clerical	8,700.00	10,968.00
Cash Crop Grant Wages	-	5,412.00
Other	-	4,317.18
Transfers Out	-	-
TOTAL DISBURSEMENTS	1,076,618.00	1,068,933.11
RECEIPTS OVER (UNDER)		
DISBURSEMENTS	11,582.00	(4,168.91)
CASH, JANUARY 1	10,249.26	10,249.26
CASH, DECEMBER 31	\$ 21,831.26	\$ 6,080.35

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	ASSESSMENT FUND		CHILDREN'S TRUST FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	104,200.00	105,056.90	995.00	515.00
Charges for Services	4,500.00	6,935.97	-	-
Interest	1,000.00	1,144.61	5.00	3.68
Other	-	-	-	-
Transfers In	-	-	-	-
TOTAL RECEIPTS	109,700.00	113,137.48	1,000.00	518.68
DISBURSEMENTS				
Salaries	91,172.00	83,464.27	-	-
Employee Fringe Benefits	9,700.00	8,782.85	-	-
Office Expenses	9,200.00	4,941.76	-	-
Equipment	12,860.00	9,766.79	-	-
Mileage and Training	5,500.00	4,461.18	-	-
Haven House	-	-	-	314.67
Ozark Foothills Child Advocacy	-	-	500.00	314.66
Other	7,000.00	7,085.60	500.00	-
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	135,432.00	118,502.45	1,000.00	629.33
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(25,732.00)	(5,364.97)	-	(110.65)
CASH, JANUARY 1	38,251.80	38,251.80	377.38	377.38
CASH, DECEMBER 31	\$ 12,519.80	\$ 32,886.83	\$ 377.38	\$ 266.73

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	COLLECTOR'S TAX MAINTENANCE FUND		COMMUNITY PROJECTS FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	1,656,900.00	466,007.25
Charges for Services	-	-	-	-
Interest	400.00	281.98	-	-
Other	14,000.00	14,548.95	-	-
Transfers In	-	-	-	-
TOTAL RECEIPTS	14,400.00	14,830.93	1,656,900.00	466,007.25
DISBURSEMENTS				
Other	14,400.00	17,046.51	-	-
Water District No. 2	-	-	1,656,900.00	466,007.25
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	14,400.00	17,046.51	1,656,900.00	466,007.25
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(2,215.58)	-	-
CASH, JANUARY 1	13,755.10	13,755.10	100.00	100.00
CASH, DECEMBER 31	<u>\$ 13,755.10</u>	<u>\$ 11,539.52</u>	<u>\$ 100.00</u>	<u>\$ 100.00</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	DOMESTIC VIOLENCE FUND		ELECTION FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	3,450.00	2,021.50	-	17,022.95
Charges for Services	-	-	-	-
Interest	50.00	14.19	-	-
Other	-	-	-	-
Transfers In	-	-	-	-
TOTAL RECEIPTS	3,500.00	2,035.69	-	17,022.95
DISBURSEMENTS				
Haven House	1,750.00	1,085.91	-	-
Ozark Foothills Child Advocacy	1,750.00	1,085.91	-	-
Election Expenditures	-	-	-	10,623.95
Transfers Out	-	-	-	6,399.00
TOTAL DISBURSEMENTS	3,500.00	2,171.82	-	17,022.95
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(136.13)	-	-
CASH, JANUARY 1	1,145.88	1,145.88	-	-
CASH, DECEMBER 31	\$ 1,145.88	\$ 1,009.75	\$ -	\$ -

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	ELECTION SERVICES FUND		FOREST SERVICE TITLE III FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	47,248.00	47,247.95
Charges for Services	1,000.00	1,600.17	-	-
Interest	500.00	576.87	88.00	88.02
Other	-	-	-	-
Transfers In	-	-	-	-
TOTAL RECEIPTS	1,500.00	2,177.04	47,336.00	47,335.97
DISBURSEMENTS				
Equipment	15,000.00	-	-	-
Mileage and Training	1,500.00	305.09	-	-
Other	1,000.00	33.00	-	-
Transfers Out	-	-	47,336.00	47,335.97
TOTAL DISBURSEMENTS	17,500.00	338.09	47,336.00	47,335.97
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(16,000.00)	1,838.95	-	-
CASH, JANUARY 1	27,170.71	27,170.71	-	-
CASH, DECEMBER 31	\$ 11,170.71	\$ 29,009.66	\$ -	\$ -

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	LAW ENFORCEMENT BLOCK GRANT FUND		LAW ENFORCEMENT RESTITUTION FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	6,560.00	6,560.00	-	-
Charges for Services	-	-	80,000.00	82,084.97
Interest	140.00	-	1,000.00	933.21
Other	-	-	-	4,207.81
Transfers In	-	-	-	-
TOTAL RECEIPTS	6,700.00	6,560.00	81,000.00	87,225.99
DISBURSEMENTS				
Deputy Vests	6,700.00	6,560.00	-	-
Transfers Out	-	-	75,000.00	72,500.00
TOTAL DISBURSEMENTS	6,700.00	6,560.00	75,000.00	72,500.00
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	6,000.00	14,725.99
CASH, JANUARY 1	-	-	59,789.58	59,789.58
CASH, DECEMBER 31	\$ -	\$ -	\$ 65,789.58	\$ 74,515.57

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	LAW ENFORCEMENT TRAINING FUND		PRODUCTIVE LIVING BOARD FUND (SB40)	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ 95,000.00	\$ 90,222.60
Sales Taxes	-	-	-	-
Intergovernmental	1,800.00	1,648.00	-	-
Charges for Services	-	-	-	-
Interest	75.00	89.74	1,050.00	1,143.95
Other	850.00	972.47	-	3,955.63
Transfers In	-	-	-	-
TOTAL RECEIPTS	2,725.00	2,710.21	96,050.00	95,322.18
DISBURSEMENTS				
Training	3,000.00	1,993.43	-	-
POST Commission Pass-Through	850.00	-	-	-
Current River Sheltered Workshop	-	-	50,000.00	48,000.00
Security Bond	-	-	400.00	292.50
Administrative Fees	-	-	1,000.00	-
CRSW-Special Allocation	-	-	80,000.00	80,000.00
Liability Insurance	-	-	700.00	653.00
Other	-	-	-	-
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	3,850.00	1,993.43	132,100.00	128,945.50
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(1,125.00)	716.78	(36,050.00)	(33,623.32)
CASH, JANUARY 1	4,143.62	4,143.62	283,812.49	283,812.49
CASH, DECEMBER 31	\$ 3,018.62	\$ 4,860.40	\$ 247,762.49	\$ 250,189.17

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	PROSECUTING ATTORNEY		PROSECUTING ATTORNEY RETIREMENT FUND	
	ADMINISTRATIVE HANDLING COST FUND			
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	16,000.00	10,477.03	-	-
Interest	-	4.60	20.00	21.84
Other	-	-	-	-
Transfers In	-	-	2,225.00	2,225.00
TOTAL RECEIPTS	16,000.00	10,481.63	2,245.00	2,246.84
DISBURSEMENTS				
MOPS Fee	2,000.00	1,075.00	-	-
Transmittal to State	-	-	2,244.00	2,244.00
Transfers Out	14,000.00	9,406.63	-	-
TOTAL DISBURSEMENTS	16,000.00	10,481.63	2,244.00	2,244.00
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	-	-	1.00	2.84
CASH, JANUARY 1	-	-	24.78	24.78
CASH, DECEMBER 31	\$ -	\$ -	\$ 25.78	\$ 27.62

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	PROSECUTING ATTORNEY TRAINING FUND		RECORDER USER FEE FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	430.00	422.10	-	-
Charges for Services	-	-	9,000.00	7,400.75
Interest	5.00	3.76	850.00	736.76
Other	-	-	-	-
Transfers In	-	-	-	-
TOTAL RECEIPTS	435.00	425.86	9,850.00	8,137.51
DISBURSEMENTS				
Training	650.00	522.07	-	-
Office Expenses	-	-	4,000.00	-
Equipment	-	-	5,000.00	9,217.27
Technology	-	-	9,500.00	-
Transfers Out	-	-	1,000.00	1,000.00
TOTAL DISBURSEMENTS	650.00	522.07	19,500.00	10,217.27
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(215.00)	(96.21)	(9,650.00)	(2,079.76)
CASH, JANUARY 1	219.88	219.88	37,948.88	37,948.88
CASH, DECEMBER 31	\$ 4.88	\$ 123.67	\$ 28,298.88	\$ 35,869.12

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	SENIOR CITIZENS TAX FUND		SHERIFF'S CIVIL FEE FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 43,500.00	\$ 47,935.95	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	15,500.00	14,044.77
Interest	-	-	30.00	36.03
Other	-	-	-	-
Transfers In	-	-	-	-
TOTAL RECEIPTS	43,500.00	47,935.95	15,530.00	14,080.80
DISBURSEMENTS				
Naylor Senior Citizens	14,000.00	14,000.00	-	-
Ripley County Nutrition Center	14,000.00	14,000.00	-	-
Ripley County Transit	14,000.00	14,000.00	-	-
Ripley County Senior Citizens	1,500.00	653.00	-	-
Office Supplies	-	-	500.00	1,770.30
Cell Phone and Accessories	-	-	7,500.00	5,499.77
Computer Software (ITI)	-	-	3,000.00	133.25
DSSSF	-	-	5,000.00	3,920.00
Postage	-	-	100.00	-
Building Security	-	-	-	362.46
Law Enforcement Equipment	-	-	-	2,584.88
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	43,500.00	42,653.00	16,100.00	14,270.66
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	-	5,282.95	(570.00)	(189.86)
CASH, JANUARY 1	38,027.34	38,027.34	1,719.16	1,719.16
CASH, DECEMBER 31	\$ 38,027.34	\$ 43,310.29	\$ 1,149.16	\$ 1,529.30

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	SHERIFF'S FORFEITURE FUND		SHERIFF'S REVOLVING FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	500.00	-	13,500.00	20,032.50
Interest	15.00	15.59	200.00	150.44
Other	-	-	-	-
Transfers In	-	-	-	-
TOTAL RECEIPTS	515.00	15.59	13,700.00	20,182.94
DISBURSEMENTS				
Postage	-	-	500.00	395.59
Equipment	-	-	3,000.00	652.00
IT Services	-	-	2,000.00	2,183.00
Supplies	-	-	4,000.00	820.00
Uniforms	1,247.00	-	500.00	510.00
Transfers Out	-	-	10,000.00	12,073.58
TOTAL DISBURSEMENTS	1,247.00	-	20,000.00	16,634.17
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(732.00)	15.59	(6,300.00)	3,548.77
CASH, JANUARY 1	747.27	747.27	6,485.41	6,485.41
CASH, DECEMBER 31	\$ 15.27	\$ 762.86	\$ 185.41	\$ 10,034.18

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
AS OF DECEMBER 31, 2015

	Collector Fund	Recorder Fund	Prosecuting Attorney Fund	Overplus Land Fund	Road & Bridge Fund
ASSETS					
Cash and Cash Equivalents	\$ 2,984,985.78	\$ 6,914.94	\$ 3,835.50	\$ 19,094.84	\$ 619,656.51
Investments					
Other Investments	-	-	-	-	-
Total Investments	-	-	-	-	-
Total Assets	2,984,985.78	6,914.94	3,835.50	19,094.84	619,656.51
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	2,984,985.78	6,914.94	3,835.50	19,094.84	619,656.51
UNRESERVED FUND BALANCES	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,984,985.78	\$ 6,914.94	\$ 3,835.50	\$ 19,094.84	\$ 619,656.51
	Sheriffs Funds	School Capital Fund	Unclaimed Fees Fund	Total Agency Funds	
ASSETS					
Cash and Cash Equivalents	\$ 22,599.01	\$ 43,563.16	\$ 559.68	\$ 3,701,209.42	
Investments					
Other Investments	-	-	-	-	
Total Investments	-	-	-	-	
Total Assets	22,599.01	43,563.16	559.68	3,701,209.42	
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	22,599.01	43,563.16	559.68	3,701,209.42	
UNRESERVED FUND BALANCES	-	-	-	-	
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,599.01	\$ 43,563.16	\$ 559.68	\$ 3,701,209.42	

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Ripley, Missouri ("County"), which is governed by a three-member board of commissioners, was established in 1833 by an Act of the Missouri Territory. In addition to the three Commissioners, there are 11 elected Constitutional Officers: Assessor, Circuit Clerk, Collector, Coroner, County Clerk, County Surveyor, Prosecuting Attorney, Public Administrator, Recorder of Deeds, Sheriff and Treasurer.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present the County's financial accountability.

The County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, and social and human services.

The financial statements referred to above include only the primary government of Ripley County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by Missouri law, which include a Statement of Receipts, Disbursements and Changes in Cash Balances – All Governmental Funds, Comparative Statements of Receipts, Disbursements and Changes in Cash Balances – Budget and Actual – All Governmental Funds, and Statements of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds. The measurement focus is determined upon changes in financial position rather than net income.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similarly to governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The financial statements are prepared on the regulatory basis of accounting. This basis of accounting recognizes amounts received or disbursed in cash and differs from accounting principles generally accepted in the United States of America.

As a result of using this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for government funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budget and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before December 1st, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting (concluded)

3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1 by December 15th. The proposed budget includes estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to January disbursements, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations that were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2015, for purposes of taxation, was:

	<u>2015</u>
Real Estate	\$ 74,269,380
Personal Property	21,211,173
Railroad and Utilities	<u>2,971,304</u>
	<u>\$ 98,451,857</u>

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Property Taxes (concluded)

During 2015, the County Commission approved a \$0.1413 tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2015, for purposes of County taxation, as follows:

	<u>2015</u>
Productive Living Board Fund (SB40)	\$ 0.0942
Senior Citizens Tax Fund	<u>0.0471</u>
	\$ <u>0.1413</u>

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on a weighted average of cash balance. Cash equivalents include any instruments with an original maturity of 90 days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note II.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are eliminated due to reporting the financial statements on the regulatory basis of accounting.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

II. DEPOSITS

The County maintains a cash pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed as "Cash" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015, the carrying amount of the County's deposits was \$1,403,971.65, and the bank balance was \$4,612,675.22.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

II. DEPOSITS (concluded)

SUMMARY OF CARRYING VALUES

The carrying values of deposits shown above are included in the financial statements at December 31, 2015, as follows:

Included in the following fund financial statement captions:

Statements of Receipts, Disbursements and Changes in Cash–
Governmental Funds:

Deposits	\$ 1,403,971.65
Total Governmental Funds	<u>1,403,971.65</u>

Statement of Assets and Liabilities Arising From Cash
Transactions – Agency Funds:

Deposits	<u>3,701,209.42</u>
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Total Deposits as of December 31, 2015	<u>\$ 5,105,181.07</u>
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Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the year ended December 31, 2015.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does have a policy for custodial credit risk relating to investments.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of investment credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has a policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the year ended December 31, 2015.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

III. LONG-TERM DEBT

In 2013, the County entered into a lease agreement for \$569,257 with Caterpillar Financial Services for the purchase of three 12M2 Motor Graders. The County is required to make five annual payments of \$45,480.81 and one balloon payment of \$405,000. The lease agreement carries an interest rate of 2.50%. Caterpillar Financial Services is the holder of this lease.

As of December 31, 2015, the unpaid principal balances of the lease purchases agreements were \$505,977.01. The future payments for the lease purchase agreements of the County are as follows:

Description	Balance Prior Year 12/31/2014	Current Year Additions	Current Year Deletions & Payments	Balance 12/31/2015	Interest Paid Current Year
John Deere Motor Graders	\$ 538,007.62	\$ -	\$ 32,030.61	\$ 505,977.01	\$ 13,450.20
	<u>\$ 538,007.62</u>	<u>\$ -</u>	<u>\$ 32,030.61</u>	<u>\$ 505,977.01</u>	<u>\$ 13,450.20</u>

December 31,	Interest	Principal	Total
2016	\$ 12,649.43	\$ 32,831.38	\$ 45,480.81
2017	11,828.64	33,652.17	45,480.81
2018	10,987.35	439,493.46	450,480.81
	<u>\$ 35,465.42</u>	<u>\$ 505,977.01</u>	<u>\$ 541,442.43</u>

IV. OPERATING LEASES

In 2012, the County entered into an operating lease with Ulrich Software for Assessment Software. The County made annual payments ranging from \$10,415 to \$10,715. The lease has converted into a maintenance lease with annual payments of \$6,915 per year.

In 2012, the Collector entered into an operating lease with Ulrich Software for Collector Software. The lease had annual payments ranging from \$11,360 to \$12,860 for the first three years. The lease has converted into a maintenance agreement of \$5,232 per year.

In 2013, the County entered into an operating lease with Schwegman Office Supply for a copier. The County must make monthly payments of \$70. This lease's term is on a month-to-month basis.

The future minimum lease payments for operating leases are as follows:

December 31,	Copier Lease	Assessment Software	Collector Software	Totals
2016	\$ 840.00	\$ 6,915.00	\$ 5,232.00	\$ 12,987.00
2017	840.00	6,915.00	5,232.00	12,987.00
2018	840.00	6,915.00	5,232.00	12,987.00
2019	840.00	6,915.00	5,232.00	12,987.00
	<u>\$ 3,360.00</u>	<u>\$ 27,660.00</u>	<u>\$ 20,928.00</u>	<u>\$ 51,948.00</u>

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

V. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2015, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>MAJOR FUNDS</u>		
General Revenue Fund	\$ 35,224.00	\$ 242,225.00
Special Road and Bridge Fund	-	27,825.00
Law Enforcement Sales Tax Fund	381,316.18	-
Election Fund	-	6,399.00
Forest Service Title III Fund	-	47,335.97
Law Enforcement Restitution Fund	-	72,500.00
Prosecuting Attorney Administrative Handling Cost Fund	-	9,406.63
Prosecuting Attorney Retirement Fund	2,225.00	-
Recorder User Fee Fund	-	1,000.00
Sheriff's Revolving Fund	-	12,073.58
TOTAL	\$ <u>418,765.18</u>	\$ <u>418,765.18</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Revenue Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VI. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

A. Plan Description

CERF was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are County employee participants. Two members, who have no beneficiary interest in CERF, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

CERF is a mandatory cost-sharing multiple employer retirement system for each County in the State of Missouri, except any city not within a County (which excludes the City of St. Louis) and counties of the first classification with a charter form of government.

CERF covers County elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter County, which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, County prosecuting attorneys, and County sheriffs. Until January 1, 2000, employees hired before January 1, 2000, could opt out of the system.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

VI. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

CERF is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system. The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-573-632-9203.

B. Contributions

Prior to January 1, 2003, participating County employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, participating County employees hired on or after February 25, 2002, are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee.

The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature. During 2015, the County collected and remitted to CERF employee contributions of \$105,901.20 for the year then ended.

VII. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 for the year ended December 31, 2015.

VIII. POST-EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County. As of December 31, 2015, the County had zero COBRA participants.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

IX. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is not involved in any pending litigation as of the audit report date.

B. Compensated Absences

The County provides each full-time or seasonal/temporary employee with sick leave equal to one-half of regular work day each pay period, with the leave to be added at the end of each pay period. Sick leave may accrue and roll over to the subsequent calendar year in an amount not to exceed four regular work days. Upon termination, an employee will not be reimbursed for any unused sick days.

Vacation is accrued based on years of service with a maximum of 17 days of vacation awarded each year after 25 or more years of service. For those employees with service greater than one year, vacation leave shall accrue proportionately each pay period following the anniversary of the employee's hire date. Vacation leave does not accrue and is forfeited if not used within one year of the anniversary of an employee's hire date. Upon termination, an employee will be paid for any remaining vacation leave accrued. Vacation and sick leave have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters; and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool, which is a corporate and political body created pursuant to state statute (Chapter 537.700 RSMo). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

X. RISK MANAGEMENT (concluded)

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is then reinsured up to the statutory limit through excess insurance.

XI. SUBSEQUENT EVENTS

There were no subsequent events to report as of the date of the audit report.

SUPPLEMENTARY SCHEDULES AND AUDITOR'S REPORT

STATE COMPLIANCE SECTION

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
SCHEDULE OF STATE FINDINGS
YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF STATE FINDINGS

There was no budget prepared for the Elections Fund for the year ended December 31, 2015, because it is an internal service fund used to record all election expenses and the reimbursements from both the County and other entities billed. Election expenses are budgeted within the General Revenue Fund.

Actual expenditures exceeded those budgeted in the Collector's Tax Maintenance Fund for the year ended December 31, 2015.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Ripley, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the County of Ripley ("County") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [FS 2015-001, FS 2015-002]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

July 28, 2016



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To The County Commission
The County of Ripley, Missouri

Report on Compliance for Each Major Federal Program

We have audited the County of Ripley's ("County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

July 28, 2016

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Homeland Security</u>				
Passed Through State Department of Public Safety: Emergency Management Performance Grants	97.042	N/A	\$ -	\$ 5,818.48
Total U.S. Department of Homeland Security			-	5,818.48
<u>U.S. Department of the Interior</u>				
Direct Program: PILT - Payments in Lieu of Taxes	15.226	N/A	-	119,817.00
Total U.S. Department of the Interior			-	119,817.00
<u>U.S. Department of Justice</u>				
Passed Through the Missouri Sheriffs Association: Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-LLEBG-91	-	6,560.00
Domestic Cannabis Eradication/Suppression Program	16.UNKNOWN	N/A	-	5,618.84
Total U.S. Department of Justice			-	12,178.84
<u>U.S. Department of Transportation</u>				
Passed Through the Highway and Transportation Commission: Highway Planning and Construction	20.205	BRO-B901(12)	-	7,424.68
Highway Planning and Construction	20.205	BRO-B901(11)	-	2,008.58
Total Highway Planning and Construction			-	9,433.26
Passed Through University of Central Missouri: National Priority Safety Programs	20.616	15-M5HVE-03-035	-	401.00
National Priority Safety Programs	20.616	15-M5HVE-03-035	-	403.00
National Priority Safety Programs	20.616	15-M5HVE-03-035	-	498.00
Total National Priority Safety Programs			-	1,302.00
Total U.S. Department of Transportation			-	10,735.26
<u>U.S. Department of Health and Human Services</u>				
Passed Through Missouri Department of Social Services: Child Support Enforcement	93.563	N/A	-	17,429.08
Total U.S. Department of Health and Human Services			-	17,429.08
<u>U.S. Department of Housing and Urban Development</u>				
Passed Through Missouri Department of Economic Development: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	N/A	-	466,007.25
Passed Through Missouri Department of Social Services: Emergency Solutions Grant Program	14.231	N/A	91,398.59	91,398.59
Total U.S. Department of Housing and Urban Development			91,398.59	557,405.84
<u>U.S. Department of Agriculture</u>				
Passed Through Missouri Office of Administration: Schools and Roads - Grants to States	10.665	N/A	267,214.80	403,534.34
Total U.S. Department of Agriculture			267,214.80	403,534.34
Total Expenditures of Federal Awards			\$ 358,613.39	\$ 1,126,918.84

The accompanying notes are an integral part of this schedule

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the County of Ripley under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Ripley, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Ripley.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unmodified - Regulatory Basis
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes X No
 - b. Significant deficiency(ies) identified? X Yes None Reported
3. Noncompliance material to financial statements noted? Yes X No

B. Federal Awards

1. Internal control over major federal programs:
 - a. Material weakness(es) identified? Yes X No
 - b. Significant deficiency(ies) identified? Yes X None Reported
2. Type of auditor's report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? Yes X No
4. Identification of major federal programs:

Year	CFDA Number(s)	Name of Federal Program or Cluster
2015	14.228	Community Development Block Grants/State's program and Non-entitlement Grants in Hawaii

5. Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
6. Auditee qualified as low-risk auditee? Yes X No

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015

II. FINANCIAL STATEMENT FINDINGS

FS 2015-001 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, as amended by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared for the County.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 122 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of responsible officials and planned corrective actions: The County Commission will work with each of the various officeholders on developing the required documentation of internal controls for each office. Many of the offices have practices of internal controls in place but not written policies; the County Clerk has a written policy. The County Clerk is Becky York, and her office phone number is (573)996-3215.

FS 2015-002 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015

II. FINANCIAL STATEMENT FINDINGS (concluded)

FS 2015-002 Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: The County Commission will work with each of the various officeholders on developing the required documentation of fraud risk management for each office. Many of the offices have practices of fraud risk management in place but not written policies; the County Clerk has a written policy. The County Clerk is Becky York, and her office phone number is (573)996-3215.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings and questioned costs related to federal awards for the year ended December 31, 2015.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

14/13-001 **Condition:** During our audit, we noted that the County was not in compliance with the Missouri budgetary State Statute Chapter 50 RSMo. The following fund had actual expenditures in excess of budget in 2014: Sheriff's Forfeiture Fund. The following fund had actual expenditures in excess of budget in 2013: Sheriff's Civil Fees.

Effect: Missouri Statutes requires counties to prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding the budget in certain funds, the County is in violation of Missouri Revised Statutes.

Cause: Oversight

Recommendation: We recommend that the County adopt a budget for all funds, and periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: The County Clerk performs a detailed review of budgetary schedules and actual expenditures and provides reports to each office holder on a regular basis. The budgets in question are not those of the County Commission but rather are budgets prepared by the Sheriff for discretionary funds solely under his control. The Sheriff was notified that expenditures exceeded the budget and of the need to amend the budget; however, due to the expenditure of each fund above that budgeted being less than \$200, the Sheriff opted to not amend his budgets.

Status: This finding has not been resolved and has been reported in the Schedule of State Findings.

14/13-002 **Condition:** Documentation of the County's internal controls has not been prepared.

Effect: Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Management has not prepared documentation of internal controls.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is in the process of preparing the needed documentation to document its internal control structure in conformity with the COSO framework. This is expected to be completed by the next audit period.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS (concluded)

14/13-002 **Status:** This finding has not been resolved and has been repeated as finding FS-2015-001.

14/13-003 **Condition:** During our audit, we noted there is no formal risk assessment in place.

Effect: Lack of an appropriate fraud risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identifying risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze, and manage these risks.

Management's Response: The County will develop and perform the risk assessment. This will be included in the documentation of internal control in conformity with the COSO framework.

Status: This finding has not been resolved and has been repeated as finding FS-2015-002.

THE COUNTY OF RIPLEY
DONIPHAN, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015

II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS – PRIOR YEAR

SA 14/13-001 **Incorrect Schedule of Expenditures of Federal Awards (SEFA)**

Federal Grantor: U.S. Department of Homeland Security
Pass-Through Grantor: Department of Public Safety
Federal CFDA Number: 97-036
Program Title: Presidentially Declared Disasters
Pass- Through Entity
Identification Number: FEMA-1980-DR-MO
Award Year: 2013
Type of Finding: Other Information – Significant Deficiency
Questioned Costs: None

Criteria: Management is responsible for the preparation and the maintaining of support for the County's SEFA.

Condition: The County Clerk did not prepare an accurate Schedule of Expenditures of Federal Awards for the year ending December 31, 2013. The 2013 SEFA did not include the expenditures for FEMA-1980-DR-MO; however, based on supporting documentation, expenditures were \$370,952.70.

Questioned Costs: None.

Context: During the audit of federal programs, we discovered a number of errors related to the Schedule of Expenditures of Federal Awards (SEFA).

Effect: Although the SEFA was corrected by the audit team, the amounts originally reported were incorrect. It is evident that ineffective monitoring controls and procedures are in place for the preparation of the SEFA.

Cause: Adequate emphasis was not placed on the preparation and obtaining of support for the SEFA.

Recommendation: We recommend that the County implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA.

Management's Response: The County Clerk will make every possible effort to reconcile the Schedule of Expenditures of Federal Awards.

Status: This finding has been resolved by the County in the current year audit.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

July 28, 2016

To the Board of Commissioners
County of Ripley

In planning and performing our audit of the regulatory based financial statements of the County of Ripley (the "County") as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the County's internal control to be significant deficiencies as noted in section I:

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Information Required by Professional Standards

The County's management has provided written responses to the findings in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the County Commission, County Office Holders, the Missouri State Auditor and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

FS 2015-001 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, as amended by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared for the County.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 122 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of responsible officials and planned corrective actions: The County Commission will work with each of the various officeholders on developing the required documentation of internal controls for each office. Many of the offices have practices of internal controls in place but not written policies; the County Clerk has a written policy. The County Clerk is Becky York, and her office phone number is (573)996-3215.

FS 2015-002 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (continued)

FS 2015-002 Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: The County Commission will work with each of the various officeholders on developing the required documentation of fraud risk management for each office. Many of the offices have practices of fraud risk management in place but not written policies; the County Clerk has a written policy. The County Clerk is Becky York, and her office phone number is (573)996-3215.

II. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 13, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2015 fiscal year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Due to the County applying the regulatory basis of accounting, no estimates are made during the preparation of financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

II. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 28, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit we noted that the Sheriff has a bank account with Southern Bank that has unclaimed funds dating back to 2003. Since the funds have remained unclaimed by the owner for more than three years, it's deemed abandoned and should be turned over to the County Treasurer per RSMo 447.543.

Other Matters

We were engaged to report on the schedule of expenditures of federal awards which accompany the financial statements but are not Required Supplementary Information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the regulatory basis of accounting, the methods of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We noted during our audit certain matters that were not considered to be significant deficiencies or material weaknesses. Several county offices have limited numbers of staff which inherently increases the risk of misstatement. Office holders appear to have mitigating controls in place to lower these risks to an acceptable level but the commission does need to be aware of these risks and offices need to remain vigilant in deterring the potential for erroneous or fraudulent activity.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Carroll County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Carroll County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the year ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Beard-Boehmer & Associates, PC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

August 2016
Report No. 2016-060

AUDITED FINANCIAL STATEMENTS

CARROLL COUNTY, MISSOURI

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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BEARD-BOEHMER & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI

**CARROLL COUNTY, MISSOURI
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July 8, 2016

INDEPENDENT AUDITORS' REPORT

To the County Commission
and Officeholders
Carroll County, Missouri

We have audited the accompanying special purpose modified cash basis financial statements of the governmental activities, each major fund, and remaining fund information of Carroll County, Missouri as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

CARROLL COUNTY, MISSOURI
INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the remaining fund information of Carroll County, Missouri, as of December 31, 2015, and the respective changes in modified cash basis financial position for the year then ended and the respective budgetary comparison for the General Revenue Fund, Special Road and Bridge Fund, Assessment Fund, and Courthouse Restoration Fund for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll County, Missouri's basic financial statements. The schedule of receipts, disbursements, and cash balances – nonmajor funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of receipts, disbursements, and cash and investment balances – nonmajor funds – modified cash basis is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Report on Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll County's basic financial statements. The management's discussion and analysis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

**CARROLL COUNTY, MISSOURI
INDEPENDENT AUDITORS' REPORT (CONTINUED)**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2016, on our consideration of Carroll County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carroll County, Missouri's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1.C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

This report is intended solely for the information and use of management, County Commission, others within the entity, State of Missouri, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

CARROLL COUNTY, MISSOURI
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2015

	Governmental Activities
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 3,167,361
Investments-certificates of deposit	<u> 1,231,139</u>
Total Assets	\$ <u>4,398,500</u>
 NET POSITION	
Restricted	\$ 1,837,532
Unrestricted	<u> 2,560,968</u>
Total Net Position	\$ <u><u>4,398,500</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CARROLL COUNTY, MISSOURI
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Disbursements	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
General county government	\$ 1,144,373	\$ 542,005	\$ 78,366	\$ (524,002)
Public safety	781,112	74,937	1,943	(704,232)
Health and welfare	208,783	-	-	(208,783)
Roads and bridges	1,853,299	14,410	1,886,350	47,461
Assessment	218,818	8,203	253,259	42,644
Courthouse restoration	697	-	-	(697)
Other	-	58,535	12,130	70,665
NET PROGRAM (DISBURSEMENTS) RECEIPTS	\$ 4,207,082	\$ 698,090	\$ 2,232,048	\$ (1,276,944)
<u>GENERAL RECEIPTS</u>				
Property taxes				\$ 931,716
Sales and use taxes				514,393
Interest				6,921
Other				122,343
Total General Receipts				\$ 1,575,373
Increase in net position				298,429
NET POSITION, JANUARY 1				\$ 4,100,071
NET POSITION, DECEMBER 31				\$ 4,398,500

SEE NOTES TO THE FINANCIAL STATEMENTS

CARROLL COUNTY, MISSOURI
STATEMENT OF ASSETS AND FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
DECEMBER 31, 2015

		MAJOR SPECIAL REVENUE FUNDS			Other	
	General	Special	Assessment	Courthouse	Nonmajor	Total
	Revenue	Road and		Restoration	Governmental	Governmental
	Fund	Bridge Fund	Fund	Fund	Funds	Funds
ASSETS						
Cash and cash equivalents	\$ 1,555,956	\$ 944,983	\$ 229,881	\$ 148,709	\$ 287,832	\$ 3,167,361
Investments-certificates of deposit	<u>1,005,012</u>	<u>100,501</u>	<u>-</u>	<u>50,251</u>	<u>75,375</u>	<u>1,231,139</u>
Total Assets	<u>\$ 2,560,968</u>	<u>\$ 1,045,484</u>	<u>\$ 229,881</u>	<u>\$ 198,960</u>	<u>\$ 363,207</u>	<u>\$ 4,398,500</u>
FUND BALANCES						
Assigned	\$ -	\$ 1,045,484	\$ 229,881	\$ 198,960	\$ 363,207	\$ 1,837,532
Unassigned	<u>2,560,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,560,968</u>
Total Fund Balances	<u>\$ 2,560,968</u>	<u>\$ 1,045,484</u>	<u>\$ 229,881</u>	<u>\$ 198,960</u>	<u>\$ 363,207</u>	<u>\$ 4,398,500</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2015

	MAJOR SPECIAL REVENUE FUNDS				Other	
	General		Assessment	Courthouse	Nonmajor	Total
	Revenue	Special Road and	Fund	Restoration	Governmental	Governmental
	Fund	Bridge Fund	Fund	Fund	Funds	Funds
RECEIPTS						
Property taxes	\$ 573,152	\$ 105,525	\$ -	\$ -	\$ 253,039	\$ 931,716
Sales and use taxes	514,378	-	-	15	-	514,393
Intergovernmental	80,309	1,886,350	253,259	-	12,130	2,232,048
Charges for services	616,942	14,410	8,203	-	58,535	698,090
Interest	4,800	1,130	216	279	496	6,921
Other	58,918	45,142	7,068	625	10,590	122,343
Total Receipts	<u>\$ 1,848,499</u>	<u>\$ 2,052,557</u>	<u>\$ 268,746</u>	<u>\$ 919</u>	<u>\$ 334,790</u>	<u>\$ 4,505,511</u>
DISBURSEMENTS						
General county government	\$ 1,118,976	\$ -	\$ -	\$ -	\$ 25,397	\$ 1,144,373
Public safety	718,790	-	-	-	62,322	781,112
Health and welfare	-	-	-	-	208,783	208,783
Roads and bridges	-	1,831,870	-	-	21,429	1,853,299
Assessment	-	-	218,818	-	-	218,818
Courthouse restoration	-	-	-	697	-	697
Total Disbursements	<u>\$ 1,837,766</u>	<u>\$ 1,831,870</u>	<u>\$ 218,818</u>	<u>\$ 697</u>	<u>\$ 317,931</u>	<u>\$ 4,207,082</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 10,733</u>	<u>\$ 220,687</u>	<u>\$ 49,928</u>	<u>\$ 222</u>	<u>\$ 16,859</u>	<u>\$ 298,429</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 60,754	\$ -	\$ -	\$ -	\$ 11,057	\$ 71,811
Transfers out	(11,057)	(60,001)	(554)	-	(199)	(71,811)
Total Other Financing Sources (Uses)	<u>\$ 49,697</u>	<u>\$ (60,001)</u>	<u>\$ (554)</u>	<u>\$ -</u>	<u>\$ 10,858</u>	<u>\$ -</u>
Receipts and Other Financing Sources (Uses) Over (Under) Disbursements	60,430	160,686	49,374	222	27,717	298,429
FUND BALANCES, JANUARY 1	<u>\$ 2,500,538</u>	<u>\$ 884,798</u>	<u>\$ 180,507</u>	<u>\$ 198,738</u>	<u>\$ 335,490</u>	<u>\$ 4,100,071</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,560,968</u>	<u>\$ 1,045,484</u>	<u>\$ 229,881</u>	<u>\$ 198,960</u>	<u>\$ 363,207</u>	<u>\$ 4,398,500</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CARROLL COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2015

	<u>FIDUCIARY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 6,120,575
Investments	<u>582,511</u>
Total Assets	\$ <u><u>6,703,086</u></u>
LIABILITIES	
Due to others	\$ <u>6,703,086</u>
Total Liabilities	\$ <u><u>6,703,086</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS				
Property taxes	\$ 528,500	528,500	573,152	44,652
Sales and use taxes	625,000	625,000	514,378	(110,622)
Intergovernmental	49,767	49,767	80,309	30,542
Charges for services	637,302	637,302	616,942	(20,360)
Interest	2,000	2,000	4,800	2,800
Other	26,547	26,547	58,918	32,371
Transfers in	60,000	60,000	60,754	754
Total Receipts	\$ 1,929,116	1,929,116	1,909,253	(19,863)
DISBURSEMENTS				
General County Government-				
County Commission	\$ 132,350	132,350	123,103	(9,247)
County Clerk	172,344	172,344	138,020	(34,324)
Elections	259,189	259,189	154,270	(104,919)
Buildings and grounds	389,875	389,875	210,402	(179,473)
Employee fringe benefits	247,750	247,750	210,223	(37,527)
County Collector - Treasurer	139,037	138,748	127,791	(10,957)
Ex Officio Recorder of Deeds	32,315	32,315	25,595	(6,720)
Circuit Clerk	19,960	20,660	12,669	(7,991)
Court administration	1,070	1,070	588	(482)
Court Reporter	1,500	1,500	488	(1,012)
Other general county government	87,320	87,320	71,831	(15,489)
Public Administrator	44,925	44,925	43,995	(930)
Public safety-				
Sheriff	674,048	674,048	565,379	(108,669)
Prosecuting Attorney	144,340	144,340	116,835	(27,505)
Juvenile Officer	24,035	24,035	18,712	(5,323)
County Coroner	23,705	23,705	17,865	(5,840)
Transfers out	8,900	8,900	11,057	2,157
Emergency fund*	-	-	-	-
Total Disbursements	\$ 2,402,663	2,403,074	1,848,823	(554,251)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(473,547)	(473,958)	60,430	534,388
FUND BALANCE, JANUARY 1	2,500,538	2,500,538	2,500,538	-
FUND BALANCE, DECEMBER 31	\$ 2,026,991	2,026,580	2,560,968	534,388

* County was not aware of not budgeting for the Emergency Fund until it was discussed during the audit.

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS				
Property taxes	\$ 100,000	100,000	105,525	5,525
Intergovernmental	2,555,000	2,555,000	1,886,350	(668,650)
Charges for services	20,000	20,000	14,410	(5,590)
Interest	415	415	1,130	715
Other	-	-	45,142	45,142
Total Receipts	\$ 2,675,415	2,675,415	2,052,557	(622,858)
DISBURSEMENTS				
Salaries	\$ 238,363	238,363	212,061	(26,302)
Employee fringe benefits	77,551	77,551	62,518	(15,033)
Supplies	2,950	2,950	2,122	(828)
Insurance	13,000	13,000	11,290	(1,710)
Road and bridge materials	324,225	324,225	304,921	(19,304)
Equipment repairs	165,000	165,000	68,601	(96,399)
Rentals	10,000	10,000	6,430	(3,570)
Equipment purchases	-	-	118,500	118,500
Road and bridge construction	1,955,000	1,955,000	1,019,415	(935,585)
Other	35,350	35,350	26,012	(9,338)
Transfers out	60,050	60,050	60,001	(49)
Total Disbursements	\$ 2,881,489	2,881,489	1,891,871	(989,618)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(206,074)	(206,074)	160,686	366,760
FUND BALANCE, JANUARY 1	884,798	884,798	884,798	-
FUND BALANCE, DECEMBER 31	\$ 678,724	678,724	1,045,484	366,760

SEE NOTES TO THE FINANCIAL STATEMENTS

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ASSESSMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS				
Intergovernmental	\$ 225,189	225,189	253,259	28,070
Charges for services	4,950	4,950	8,203	3,253
Interest	100	100	216	116
Other	4,000	4,000	7,068	3,068
Total Receipts	\$ 234,239	234,239	268,746	34,507
DISBURSEMENTS				
Salaries	\$ 139,626	139,626	139,601	(25)
Fringe benefits	38,877	38,877	37,040	(1,837)
Office supplies	20,875	20,875	18,859	(2,016)
Equipment	17,833	17,833	18,802	969
Mileage and training	7,000	7,000	3,695	(3,305)
Other	1,300	1,300	821	(479)
Transfers out	-	-	554	554
Total Disbursements	\$ 225,511	225,511	219,372	(6,139)
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,728	8,728	49,374	40,646
FUND BALANCE, JANUARY 1	180,507	180,507	180,507	-
FUND BALANCE, DECEMBER 31	\$ 189,235	189,235	229,881	40,646

SEE NOTES TO THE FINANCIAL STATEMENTS

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COURTHOUSE RESTORATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS				
Sales taxes	\$ -	-	15	15
Interest	-	75	279	204
Other	-	-	625	625
Total Receipts	\$ -	75	919	844
DISBURSEMENTS				
Courthouse restoration projects	\$ -	5,000	633	(4,367)
Insurance	-	65	64	(1)
Total Disbursements	\$ -	5,065	697	(4,368)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(4,990)	222	5,212
FUND BALANCE, JANUARY 1	198,738	198,738	198,738	-
FUND BALANCE, DECEMBER 31	\$ 198,738	193,748	198,960	5,212

SEE NOTES TO THE FINANCIAL STATEMENTS

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Carroll County, Missouri is governed by a County Commission with three members under a township form of government. There are 20 townships within Carroll County with each having its own tax levies. In addition to the three commission members, there are nine elected officers: Assessor, County Clerk, Circuit Clerk and Ex Officio Recorder of Deeds, Collector-Treasurer, Prosecuting Attorney, Public Administrator, Sheriff, Coroner, and Surveyor.

As discussed further in Note 1.C., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. FINANCIAL REPORTING ENTITY

The County's operations include tax assessments and collections, election services, state/county courts administration, recording of instruments, public safety, road and bridge maintenance, noxious weeds eradication, public welfare and emergency management, and social and human services. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, and the Senate Bill 40 Board.

A financial reporting entity consists of (1) the primary government, (2) component units, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The primary government of Carroll County consists of all funds/boards that are not legally separate from the County, which also includes the Senate Bill 40 Board Fund. This will exclude the 911 Board and the Health Center Board since they are considered separate governing entities under state law.

Component units are legally separate organizations for which the County government is financially accountable. The County is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services provided or performed by the organization or (2) is legally entitled to and or can otherwise access the organization's resources; is legally obligated for or has otherwise assumed the obligation to finance the organization's deficits or provide financial support to it; or is obligated in some manner for the organization's debt. Component units also may include organizations that are fiscally dependent on the County because their budgets, tax levies, or debt issuances that are approved by the County. Based on application of the above criteria, the County has no component units.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole within the limitation of the modified cash basis of accounting. These statements include the financial activities of the primary government. The primary government's financial activities are required to be classified as governmental or business-type.

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services. The County has no business-type activities.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets and net position or fund balance, revenues, and expenditures.

Funds are organized into two major categories: governmental and proprietary. The County has no proprietary funds but does have fiduciary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the County and meets the following criteria: Total assets, revenues, or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type (all governmental funds).

The County has considered the General Revenue Fund, Special Road and Bridge Fund, Assessment Fund and the Courthouse Restoration Fund to be its major funds.

The County's financial statements are structured into two categories of funds – governmental and fiduciary. Governmental funds are those through which most governmental functions typically are financed. Reporting for such funds focuses on the sources, uses, and balances of current resources.

The County's major governmental funds consist of the following:

General Revenue Fund

The General Revenue Fund is the primary operating fund of the County and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the County. The following special revenue funds are the major funds of the County:

Special Road and Bridge Fund: This fund accounts mainly for CART from state and reimbursements on federal bridge (BRO) projects, property tax withholding from the 20 townships, and other receipts that are legally restricted to disbursements for road and bridge purposes.

Assessment Fund: This fund accounts for property tax withholdings and state reimbursements that are legally restricted to disbursements for assessment purposes.

Courthouse Restoration Fund: This fund accounts for delinquent sales taxes and other receipts that are legally restricted to disbursements for courthouse restoration purposes.

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

The special revenue funds of the County not considered to be major funds are aggregated as other nonmajor governmental funds.

Separate from major funds and aggregated nonmajor funds are the fiduciary funds. Fiduciary funds account for assets held by County elected officials as a trustee or an agent for individuals, private organizations, or other governments. These officials consist of the Assessor, County Clerk, Collector-Treasurer, Ex Officio Recorder of Deeds, Sheriff, Prosecuting Attorney, and Public Administrator. Fiduciary fund reporting focuses on net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the County cannot use those assets to finance its operations. The County's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and fund balance are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

The financial statements are prepared on the modified cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. The modification of cash basis is due to presentation of investments.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred. If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and all government-wide financials would be presented on the accrual basis of accounting.

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Property tax receipts are recognized when the County Treasurer receives them from the County Collector instead of when received by the County Collector. Some other lesser receipts from other County officials are also recognized only when received by the Treasurer and recorded to the appropriate fund.

D. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS AND INVESTMENTS

For the purpose of financial reporting, "cash and cash equivalents" include all demand and savings accounts. Investments include the County's investment in nonnegotiable certificates of deposit.

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net Position is classified and displayed in two components:

- a. Restricted – Consists of restricted assets with restriction constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation. All amounts are considered expendable.
- b. Unrestricted – Net amount of assets that are not included in the determination of the restricted component of net position.

It is the County's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

The total assets of the governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. Based on the County's level of constraint, the County does not have any nonspendable, committed, or restricted fund balances. Fund balances are reported as assigned and unassigned as follows:

- a. Assigned – Amounts constrained by the County's intent to be used for specific purposes but that are neither restricted nor committed.
- b. Unassigned – The residual classification of the General Revenue Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

E. REVENUES AND EXPENDITURES

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the County's taxpayers are reported as program receipts. The County has the following program receipts in each activity:

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

General County government	Charges for services revenues and operating grants and distributions from local, state, or federal government agencies.
Public safety	Charges for services revenues and operating grants and distributions from local, state, or federal government agencies.
Health and Welfare	Charges for services revenues.
Roads and bridges	Operating grants and distributions (BRO project reimbursements) through the state of Missouri, charges for services, interest income and other revenues.
Assessment	Intergovernmental revenues, charges for services, interest income and other revenues.
Courthouse Restoration	Delinquent sales taxes collections and interest income earned.

All other governmental receipts are reported as general receipts. All taxes are classified as general receipts even if restricted for a specific purpose.

F. INTERNAL ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Government-Wide Financial Statements

Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Fund Financial Statements

Interfund transfers occurred primarily because they were statutorily required or allowed, such as transfer of an administrative service fee to the General Revenue Fund from the Special Road and Bridge Fund.

By its nature as a local government unit, the County and the respective Senate Bill 40 Board are subject to various federal, state, and local laws and contractual obligations.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. INSURED AND COLLATERALIZED DEPOSITS

In accordance with state law, all uninsured deposits of County funds in financial institutions must be secured with acceptable collateral. Information on these deposits and investments and the collateral is provided below in Note 3.A. For the purposes of analyzing risk to County funds, deposits with financial institutions include all demand, time and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. All deposits at December 31, 2015, were insured by Federal Deposit Insurance Corporation (FDIC) coverage or by collateral securities pledged by the County's banking facility.

**CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. BUDGETARY COMPLIANCE

For the year ended December 31, 2015, disbursements did not exceed the budgeted amounts at the legal level of control for any major fund.

C. PUBLISHED FINANCIAL STATEMENTS

Under Sections 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the County. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The County's published financial statements for the year ended December 31, 2015, included all respective funds.

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for various assets, equity, revenues, and expenditures.

A. CASH DEPOSITS AND INVESTMENTS

Cash deposits and investments are stated at cost, which approximates market. Cash balances for most of the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less; nonnegotiable certificates of deposit with original maturity of greater than ninety days are considered to be investments.

The County has determined through experience that business checking accounts, savings accounts, and certificates of deposit are appropriate types of accounts or instruments for its needs. The County invests each fund's cash balance in interest-bearing bank accounts and in certificates of deposit to the extent possible at one depository bank. Each fund is included on the financial statements as "Fund Balance" under each fund's caption.

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted an investment policy in accordance with state law.

Deposits

In accordance with state law, all uninsured deposits in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain state or political subdivision debt obligations, surety bonds, or certain letters of credit. Missouri statutes also require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

At December 31, 2015, the County invested in five nonnegotiable certificates of deposits with maturities of six months each at one bank totaling \$1,231,139 as follows:

<u>Fund</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Balance at 12/31/15</u>
General Revenue	0.30%	3/21/16	\$ 1,005,012
Special Road and Bridge	0.30%	3/21/16	100,501
Courthouse Restoration	0.30%	3/21/16	50,251
Drainage District No. 3	0.30%	3/21/16	25,125
Johnson Grass	0.30%	3/21/16	50,250
Total			\$ <u>1,231,139</u>

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions.

At December 31, 2015, the County's deposits held at its banking facility were adequately covered by Federal Depository Insurance Coverage and with additional collateral held by an independent bank in the County's name or by its agent in the County's name. The County's deposits were not subject to custodial or investment credit risk at year end.

The Senate Bill 40 Board's deposits in two checking accounts at December 31, 2015, held at its banking facility were not exposed to custodial credit risk because they were entirely covered by federal depository insurance.

B. SALES TAX AND USE TAX RATES

The County has the following sales tax and use tax rates:

General sales tax-subject to rollback 50%	1/2%	\$ 0.0050
Emergency 911 sales tax	3/4%	<u>0.0075</u>
Total sales tax rate		\$ <u>0.0125</u>
Use tax rate		\$ <u>0.0125</u>

The emergency 911 sales tax goes directly to the Emergency 911 Board and does not pass through the county.

C. PROPERTY TAXES

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in September and payable by December 31. Taxes paid after December 31 are delinquent and subject to penalties. The County bills and collects its own property taxes and also taxes for other local governments in the County. Collections for other governments and remittances to those governments by the Collector-Treasurer are accounted for in various County Treasurer's fiduciary funds. Collections for individual townships and also drainage and levee districts are also made with remittances sent back to each township and drainage and levee district.

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3: DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

The assessed valuation of the tangible property for purposes of local taxation was as follows:

	2015
Real Estate	\$ 81,204,010
Personal Property	36,722,370
Railroad and Utilities	98,371,762
Total Assessed Valuation	\$ <u>216,298,142</u>

The countywide levy per \$100 of the assessed valuation of tangible property for purposes of local taxation was:

General Revenue	\$ 0.2583
Johnson Grass	\$ 0.0100
Senate Bill 40 Board	\$ 0.0961

The Special Road and Bridge Fund does not have a separate countywide tax levy but receives tax proceeds of \$.05 per \$100 assessed valuation from each Township Road and Bridge Fund for administrative purposes.

D. INTERFUND ACTIVITY

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. Transfers between funds of the primary government for the year ended December 31, 2015, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR FUNDS:		
General Revenue Fund	\$ 60,754	\$ 11,057
Special Road and Bridge Fund	-	60,001
Assessment Fund	-	554
NONMAJOR FUNDS	<u>11,057</u>	<u>199</u>
Grand Totals	\$ <u><u>71,811</u></u>	\$ <u><u>71,811</u></u>

The transfer from Special Road and Bridge Fund to the General Revenue Fund is based upon a statutory authority for administrative purposes.

E. FUND BALANCES

Fund balances of the County's governmental funds at December 31, 2015, are classified as assigned and unassigned based on the level of constraint.

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4. BUDGETS AND BUDGETARY PRACTICES

The County Commission and the Senate Bill 40 Board prepare their operating budgets under the budgetary statutes (Sections 50.525–50.745) of the state of Missouri. In accordance with these statutes, the following process is used to adopt the annual budget:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. During January, the budget officer (County Clerk) and the administrative officer of the Senate Bill 40 Board submit a proposed operating budget for the ensuing calendar year to the County Commission or to the Senate Bill 40 Board.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the modified cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires at the individual fund level budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. No funds had a deficit budgeted cash balance for 2015.
5. A public hearing is conducted to obtain public comment on the budget documents. Prior to approval by the County Commission and Senate Bill 40 Board, the budget documents are available for public inspection.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission and the Senate Bill 40 Board.
7. Subsequent to the budget hearings, the budgets (as amended and approved) are adopted by the County Commission and the Senate Bill 40 Board. The County amended the General Revenue Fund for 2015.
8. The approved budgets for the County and Senate Bill 40 Board are to be submitted to the County budget officer (County Clerk) and filed with the State Auditor's Office by January 31.

The legal level of control at which total disbursements may not legally exceed appropriations is at the fund level. Budget revisions or amendments may be changed by the County Commission or the Senate Bill 40 Board during the year in accordance with provisions of the state law, and must also be filed with the State Auditor's Office.

Basis of Accounting

The budgets are prepared on the modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

NOTE 5. COUNTY EMPLOYEES' RETIREMENT FUND

The County Employees' Retirement Fund (CERF) was established pursuant to SB 579, effective August 28, 1994, by the state of Missouri to provide a retirement benefit to eligible county employees.

1. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose performance requires the actual performance of

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5. COUNTY EMPLOYEES' RETIREMENT FUND (CONTINUED)

duties of not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under sections 56.800 to 56.840, RSMo; circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System; county sheriffs covered under sections 57.949 to 57.997, RSMo; and certain personnel not defined as an employee per section 50.1000(8), RSMo.

The general administration and the responsibility for the proper operation of the Retirement Fund and the investment of the Retirement Fund are vested in a Board of Directors of eleven persons.

2. Pension Benefits

CERF first paid benefits beginning January 1, 1997. At that time a member could not retire until age 62. Beginning January 1, 2000, employees could retire with full benefits at age 62 or reduced benefits at age 55. The monthly benefit for county employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). An eligible death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two or a reduced benefit annuity at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the Retirement Fund but will be paid his or her accumulated contributions. As of December 31, 2015, the County had 34 employees enrolled in CERF.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling toll-free 1-877-632-2373.

3. Funding Policy

In accordance with state statutes, the Retirement Fund is partially funded through various fees collected and remitted to CERF. Depending on the hire date and LAGERS status, contribution rates can be 0%, 2%, 4%, or 6%. A county can choose to pay up to 4% for its employees. A contribution to CERF of 2% of annual salary is required for eligible employees hired before February 25, 2002, and a contribution of 6% of annual salary is required of employees hired after February 25, 2002, effective January 1, 2003, in order to participate in CERF. During 2015, the County collected and remitted to CERF contributions of \$97,087 for the year then ended, equal to the required contributions. The County is not a member in LAGERS.

NOTE 6. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

1. Plan Description

The County offers employees the opportunity to participate in the CERF defined contribution plan and Internal Revenue Code (IRC) Section 457 deferred compensation plan. The plans' provisions and contribution requirements were established by and may be amended only by the Missouri General Assembly. Pension plan members are eligible to participate.

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS (CONTINUED)

2. Contributions

Pension plan members are required to contribute 0.7 percent of gross compensation to the defined contribution plan. Contributions for the mandatory 401(a) totaling \$7,761 were made during the year ended December 31, 2015.

Participation in the deferred compensation plan is voluntary, and the employee elects the contribution level, subject to the limitations of IRC Sections 401(a) and 457. The CERF Board of Directors decides if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution accounts of those who participated in the deferred compensation plan. The amount of any matching contribution is determined by the Board and is limited to 50 percent of a member's voluntary contributions to the deferred compensation plan, up to 6 percent of the member's compensation.

3. Administration

Maintenance of individual member accounts and custody of assets have been contracted to a third-party administrator and investment custodian, respectively. The County sends member contributions directly to the third-party administrator. Members may select from several options for investing their contributions and their share of matching contributions.

NOTE 7. PROSECUTING ATTORNEY RETIREMENT

In accordance with state statute chapter 56.807 RSMo, the County contributed to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys' and Circuit Attorneys' Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County contributed \$2,244 for the year ended December 31, 2015, on behalf of the Prosecuting Attorney.

NOTE 8. POST- EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

NOTE 9. RISK MANAGEMENT

The County carries commercial insurance for various risks of loss to which it is exposed, including risks related to torts; theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees; and employees' health and life.

The County is a participant in the Missouri Public Entity Risk Management Fund (MoPERM), a body corporate and politic created and governed by Sections 537.700-537.756, RSMo. The purpose of the fund is to provide liability protection to participating public entities and their officials and employees. Annual contributions are collected based on actuarial projections sufficient to pay losses and expenses. Should contributions not be sufficient to meet the fund's obligations, the fund's Board can make special assessments. Participants are jointly and severally liable for all claims against the fund. County management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded this insurance coverage in any of the past three years.

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9. RISK MANAGEMENT (CONTINUED)

The County is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri Counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

NOTE 10. COMMITMENTS AND CONTINGENCIES

1. Compensated absences

The County provides regular full-time employees with up to 15 days of sick time to accrue at 1.25 days for each calendar month worked. Upon termination, the employee is not compensated for accrued sick time. Vacation time is accrued for full-time employees at the rate of 10 days per year for employees with 1-5 years of service; 11 days per year with 6 years of service; 12 days per year with 7 years of service; 13 days with 8 years of service; 14 days with 9 years of service; and 15 days with 10 or more years of service, up to maximum of 30 days. Upon termination, the employee is compensated for accrued vacation time up to a maximum of 30 days.

2. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

3. Taxable Industrial Revenue Bonds

In April 2008, the County issued \$88,500,000 in taxable industrial revenue bonds to finance the acquisition, construction, and equipping of a dry-mill ethanol plant to be leased to Show Me Ethanol, LLC. The bonds will be repaid in various installments beginning in April 2009 from lease payments pursuant to the terms of a lease agreement dated April 1, 2008, between the County and Show Me Ethanol.

Because the bonds are secured and paid solely from lease payments generated by the project, the bonds do not constitute a liability of the County.

4. Intergovernmental Agreement

Effective June 1, 2014, the County entered into an intergovernmental agreement with the Town of Carrollton to have the Deputy Recorder of Deeds serve as a municipal court clerk. The agreement ended December 31, 2014, but was renewed for 2015 and 2016 on December 31, 2014 and 2015. The County pays 75% of the total salary and fringe benefits and related office expenditures with the Town of Carrollton reimbursing the County the remaining 25%.

5. Litigation

The County is involved in a litigation matter at which time the probable outcome is not readily obtainable. The County's management and legal counsel anticipate that the potential claim against the County not covered by insurance, if any, resulting from such matter would not materially affect the financial position of the County.

CARROLL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

6. Lease-Purchase and Other Agreements

- a. The County Commission entered into a lease-purchase agreement on March 22, 2013, to purchase a Track Loader. The County paid \$14,399 in principal in 2015. The principal balance due at December 31, 2015, was \$14,811.
- b. The County Commission entered into a lease-purchase agreement on December 31, 2014, to purchase a Mack Dump Truck. The County paid \$30,348 in principal in 2015. The principal balance due at December 31, 2015, was \$63,233.
- c. The County Commission entered into a lease-purchase agreement on April 30, 2015, to purchase a Tractor/Ditcher. The lease is for 12 months with a final principal payment of \$25,000 on April 30, 2016. The balance due at December 31, 2015, is \$25,000.
- d. The County Commission entered into a lease-purchase agreement on June 10, 2015, to purchase a John Deere Dozer. The lease is for 36 months with three annual payments of \$12,959 (including interest) beginning March 1, 2016. Total principal amount due is \$36,952 at December 31, 2015.
- e. The County Commission entered into a lease-purchase agreement on April 15, 2015, to purchase three Ford Explorers. The lease is for five years with annual payments of \$13,680 (including interest) through February 2020. The principal balance due at December 31, 2015, was \$62,100.

The remaining amounts on the agreements noted above as of December 31, 2015, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 95,006	\$ 5,738	\$ 100,744
2017	56,184	3,385	59,569
2018	24,919	1,718	26,637
2019	12,770	910	13,680
2020	13,217	462	13,679
Total	<u>\$ 202,096</u>	<u>\$ 12,213</u>	<u>\$ 214,309</u>

- f. The County also leased several copiers as of December 31, 2015, at a monthly rate of \$1,048. In November 2015, the County upgraded the lease with a six year extension. The new monthly payment will be \$948 starting in March 2016.

CARROLL COUNTY, MISSOURI
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENTS BALANCES - NONMAJOR FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

FUND	Cash and Investments Balance January 1, 2015	Receipts	Disbursements	Cash and Investments Balance December 31, 2015
Law Enforcement Training	\$ 1,225	1,730	2,522	\$ 433
Prosecuting Attorney Training	773	689	591	871
Drainage District No. 3	37,735	25,255	25	62,965
Special Sheriff	9,397	7,756	6,671	10,482
Johnson Grass	119,514	21,161	21,404	119,271
Recorder's Preservation	15,274	2,865	237	17,902
Prosecuting Attorney Bad Check	9,927	151	10,078	-
Administrative Handling Cost	3,160	17,323	7,488	12,995
Prosecuting Attorney Delinquent Tax	293	274	7	560
Election Services	27,391	6,425	5,173	28,643
Law Enforcement Training - POST	-	585	585	-
Tax Maintenance	41,363	14,560	11,583	44,340
Local Emergency Planning Committee	11,710	-	3,607	8,103
Sheriff Revolving	6,924	11,438	10,992	7,370
County Law Enforcement Restitution	16,888	10,871	13,994	13,765
Deputy Sheriff Salary Supplementation	306	10,530	9,588	1,248
Emergency Management	715	7,000	4,800	2,915
Senate Bill 40 Board	32,895	207,234	208,785	31,344
	<u>335,490</u>	<u>345,847</u>	<u>318,130</u>	<u>363,207</u>
Total Nonmajor Funds	\$ 335,490	345,847	318,130	\$ 363,207

CARROLL COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures
	U.S. DEPARTMENT OF DEFENSE		
12.112	Direct Program- Payments to States in Lieu of Real Estate Taxes	FS211	\$ 47,896
	U.S. DEPARTMENT OF THE INTERIOR		
15.226	Direct Program- Payment in Lieu of Taxes	PILT	2,052
	U.S. DEPARTMENT OF TRANSPORTATION		
	Passed through state:		
20.205	Highway and Transportation Commission - Highway Planning and Construction	BRO-B017(64)	248,239
		BRO-B017(65)	47,614
		BRO-B017(66)	270,716
		BRO-B017(67)	58,077
		BRO-B017(68)	260,759
		BRO-B017(69)	19,403
		BRO-B017(70)	23,975
		BRO-B017(71)	19,715
		BRO-B017(72)	14,948
		BRO-B017(73)	15,499
	Total U.S. Department of Transportation		<u>978,945</u>
	GENERAL SERVICES ADMINISTRATION		
	Passed through state:		
39.003	Office of Administration- Donation of Federal Surplus Personal Property	N/A	346
	ELECTION ASSISTANCE COMMISSION		
90.401	Passed through state: Office of Secretary of State- Help America Vote Act	231AV150037324	1,156
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	Passed through state:		
93.563	Department of Social Services- Child Support Enforcement	ER102120017	4,053
	U.S. DEPARTMENT OF HOMELAND SECURITY		
	Passed through state:		
97.042	Department of Public Safety- Emergency Management Performance Grants	EMW2013EP0028	<u>3,000</u>
	Total Expenditures of Federal Awards		<u>\$ 1,037,448</u>
N/A	Not applicable		

SEE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CARROLL COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. PURPOSE OF SCHEDULE AND REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of the Uniform Guidance (OMB 2 CFR Part 200). The Uniform Guidance requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Carroll County, Missouri.

B. BASIS OF PRESENTATION

The Uniform Guidance includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, non-cash contributions or donations of property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. Federal award does not include other contracts that a Federal agency uses to buy goods or services from a contractor or a contract to operate Federal government owned, contractor operated facilities.

The amount for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represents the estimated fair market value (23.3 percent of original acquisition cost) of the property.

The amount for Child Support Enforcement (CFDA number 93.563) represents the actual expenses reimbursed by the state of Missouri at the federal rate of 66 percent.

C. BASIS OF ACCOUNTING

The schedule is presented on the cash basis of accounting, which recognizes amounts when disbursed in cash.

D. MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-federal funds (matching funds) to support the federally-funded programs. The County has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

NOTE 2. SUBRECIPIENTS

The County provided no federal awards to subrecipients during the year ended December 31, 2015.

July 8, 2016

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the County Commission
and Officeholders
Carroll County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and remaining fund information of Carroll County, Missouri, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Carroll County, Missouri's basic financial statements, and have issued our report thereon dated July 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carroll County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carroll County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**CARROLL COUNTY, MISSOURI
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, County Commission, others within the entity, State of Missouri, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

July 8, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the County Commission
and Officeholders
Carroll County, Missouri

Report on Compliance for Each Major Federal Program

We have audited Carroll County, Missouri's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Carroll County, Missouri's major federal program for the year ended December 31, 2015. Carroll County, Missouri's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Carroll County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Carroll County, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, Carroll County, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

**CARROLL COUNTY, MISSOURI
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)**

Report on Internal Control Over Compliance

Management of Carroll County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carroll County, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with The Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll County, Missouri's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management, County Commission, others within the entity, State of Missouri, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

**CARROLL COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major program:

<u>CFDA Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Section II – Financial Statement Findings

This section includes no audit findings that are required to be reported under *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

This section includes no audit findings required to be reported under the Uniform Guidance.

**CARROLL COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Government Auditing Standards

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Carroll County, Missouri, on the applicable findings in the prior audit report issued by an independent auditing firm for the two years ended December 31, 2014.

Disbursements Exceeding Total Appropriations in Various Nonmajor Funds.

Condition

The County's total disbursements exceeded the total budgeted appropriations in a few nonmajor funds.

Status

Partially implemented. Only three nonmajor funds' disbursements exceeded the total budgeted appropriations in total by only \$845. No additional finding is considered necessary.

Uniform Guidance OMB CFR Part 200

Section 200.511(b) of the Uniform Guidance requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

The prior audit report issued for the two years ended December 31, 2014, included an audit finding that is to be reported for an audit of federal awards.

Schedule of Expenditures of Federal Awards

Condition

The County's Schedule of Expenditures of Federal Awards (SEFA) required by the federal government contained some errors of information for the year ended December 31, 2014. The total federal expenditures under CFDA #12.112 under-reported the total amount of federal awards given to the county by \$7,988, and total federal expenditures under CFDA #20.205 for three federal bridge (BRO) projects were over-reported. Some expenditures reported in 2014 had already been reported in 2013 and, therefore, reported more than once. These expenditures totaled \$304,945 with another over-reported adjustment to one BRO project in 2013 for \$182.

Status

Implemented.

**CARROLL COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

This discussion and analysis of Carroll County's financial performance provides an overview of the County's financial activity for the year ended December 31, 2015. The information below, prepared by the County's management, should be read in conjunction with the financial statements presented.

OVERVIEW OF THE FINANCIAL STATEMENTS

The contents of this report comply with the presentation requirements of Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements, and Management's Discussion and Analysis for State and Local Governments*, as applicable to the modified cash basis of accounting. The County's basic financial statements consist of government-wide financial statements, fund financial statements, budgetary comparison statements and notes to the financial statements. The notes are an integral part of the government-wide, fund financial statements, and budgetary comparison statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

The County has elected to present its financial statements on the modified cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the modified cash basis of accounting, revenues are recorded when received rather than when earned, and expenses are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the modified cash basis of accounting. Modification to the cash basis is due to the presentation of investments.

Government-Wide Financial Statements

The Government-Wide Statement of Net Position and the Government-Wide Statement of Activities report information about the County as a whole. These statements present the County's net position and show how they have changed. Over time, increases or decreases in the County's net position are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the County's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities—activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The County has no business-type activities—activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the County as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed view of the County's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the County's programs.

**CARROLL COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Budgetary Comparison Statements

These statements are presented only for the General Revenue Fund and each major special revenue fund that has a legally adopted budget. These statements provide fiscal accountability by comparing original and final budgeted revenues and expenditures to actual revenues and expenditures on the entity's own budgetary basis of accounting.

The County as Trustee

The County is the trustee, or fiduciary, for its trust and agency funds that are used to account for assets held by the County's elected officials in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The County's fiduciary assets are reported in a separate Statement of Fiduciary Net Assets.

Fiduciary funds are excluded from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Other Information

The report also includes this Management's Discussion and Analysis. Such information is intended to supplement the government-wide financial statements, fund financial statements, budgetary comparison statements and notes to the financial statements but is not a part of those statements.

In addition, the report includes the following supplementary information that is not a required part of the financial statements: the Schedule of Receipts, Disbursements, and Cash Balances – Non-major Funds– Modified Cash Basis and the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with the new Uniform Guidance.

FINANCIAL HIGHLIGHTS

- The County's total expenditures exceeded total receipts by \$298,429 in 2015.
- The County's total governmental funds ended with a combined cash and investments balance of \$4,398,500 in 2015.

THE COUNTY AS A WHOLE

		Year Ended December 31,		
		2015	2014	2013
Net Position	\$	4,398,500	\$ 4,100,071	\$ 3,720,251
Program Receipts		2,930,138	2,668,527	2,986,546
General Receipts		1,575,373	1,650,212	1,782,389
Disbursements		4,207,082	3,938,919	4,597,688
Change in Net Position	\$	298,429	\$ 379,820	\$ 171,247

**CARROLL COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

THE COUNTY'S FUNDS

Financial Highlights

- Revenue sources including sales and use tax, property tax, governmental transfers, as well as charges for services primarily in the Law Enforcement budgets are declining. Without a reduction of expenditures, falling revenues is a troubling trend. One third of the total appropriations for 2015 were in the Sheriff's General Revenue Fund budget earmarked for law enforcement while only 14% of the revenue coming in to support this service is at an all-time low of \$77,757.
- State and Federal governments failed to allocate replacement funds needed for mandated ADA voting equipment; therefore, \$83,000 was estimated to replace decade old electronic voting equipment and ancillary supplies. Due to estimated other expenses, \$100,000 was placed in the 2015 General Revenue Fund budget for this purpose with over \$91,700 spent.
- An amount of \$1,031,908 passed through the U.S. Department of Transportation to the State of Missouri and on to Carroll County for Federal Off-System (BRO) bridge projects. Ten structures were in various stages of construction during the audit period ending December 31, 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

The County Commission executes lease/purchase agreements with a local bank to replace aged and worn equipment for the Road and Bridge Department and for Sheriff's vehicles more than doubling the long-term debt amount. The summary of long-term debt amortization for the year 2015 is as follows:

Equipment	Department	Balance 12/31/2014	Additions	Principal Payments	Balance 12/31/2015
T250 Track Loader	Road and Bridge	\$ 29,210	-	14,399	\$ 14,811
Mack Dump Truck	Road and Bridge	93,581	-	30,348	63,233
Tractor/Ditcher	Road and Bridge	-	53,000	28,000	25,000
John Deere Dozer	Road and Bridge	-	79,286	42,334	36,952
3 Ford Explorers	Sheriff	-	78,600	16,500	62,100
	Totals	\$ 122,791	210,886	131,581	\$ 202,096

The County leased copiers and fax machines from RICOH for various county officials as of December 31, 2015, at a monthly rate of \$1,048. In November 2015, the County upgraded the lease with RICOH and with an extension to up to six years. The upgrade was not actually made until March 2016 at a new monthly payment of \$948.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economic condition of the County remains sound despite the turn down in the economy and decreasing commercial businesses and industry throughout the County and small jurisdictions within. In 2015, the County became the second "Agri-Ready" Community as designated by Missouri Farmer's Care. This initiative allows Carroll County to promote itself by encouraging and promoting agricultural businesses by not imposing regulations or ordinances that discourage, limit or restrict agricultural operations in the County.

**CARROLL COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

The General Revenue Fund tax levy after the required 50% rollback deduction for sales tax revenue was \$0.2583 in 2015 bringing in total revenues of \$573,152, down slightly from 2014. Local sales and use tax for 2015 of \$514,378 was down by \$137,543 from 2014, an indication of insufficient economic activity and new commercial businesses in the County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Questions about this report or requests for additional information should be addressed to Peggy McGaugh, Carroll County Clerk, 8 South Main, Suite 6, Carrollton, Missouri 64633, Phone 660-542-0615.



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division

Report No. 2016-061
August 2016

auditor.mo.gov

Twenty-Ninth Judicial Circuit

City of Carl Junction Municipal Division

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State Auditor's Letter

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Twenty-Ninth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Alderman
City of Carl Junction, Missouri

We have conducted follow-up work on audit report findings contained in Report No. 2015-126, *Twenty-Ninth Judicial Circuit, City of Carl Junction Municipal Division* (rated as Poor), issued in December 2015, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the municipal division about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the municipal division, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by court and city officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the officials included bank statements, monthly reports, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed by July 2016.

Nicole R. Galloway, CPA
State Auditor

Twenty-Ninth Judicial Circuit

City of Carl Junction Municipal Division

Follow-Up Report on Audit Findings - Status of Findings

- | | |
|--|--|
| 1. Missing Funds and Other Questionable Transactions | Monies totaling at least \$65,373 were missing from municipal court receipts, and an additional \$31,141 was likely missing. |
| | Based on discrepancies identified by the Municipal Judge and the results of an internal investigation performed by the city, city officials contacted the Missouri State Highway Patrol for assistance and requested the State Auditor's Office (SAO) perform an audit of municipal division operations. Our audit determined the following: |

The former court clerk issued manual receipt slips for some monies, but did not record these monies in the computerized system or deposit them. Numerous cash bonds were not recorded in the computerized system or deposited. Some monies received were recorded in the computerized system, but not deposited. The former Court Clerk did not handle fines and court costs for some cases consistent with the orders the Municipal Judge recorded on the case docket sheets and entered nolle pros (not prosecuted) in the computerized system for some cases without authorization from the Prosecuting Attorney. We also noted numerous additional discrepancies in the case files reviewed, including additional documentation of receipt of monies not recorded in the computerized system or deposited.

Recommendation

The City of Carl Junction Municipal Division continue to work with law enforcement officials regarding criminal prosecution related to the missing funds and other questionable transactions, including restitution of missing funds.

Status

In Progress

The City of Carl Junction Municipal Division is working with law enforcement regarding criminal prosecution of the former Court Clerk. The former Court Clerk was charged with felony theft in January 2016. The case remains ongoing as of August 2016.

-
- | | |
|--|--|
| 2. Accounting Controls and Procedures | We noted significant weaknesses with accounting controls and procedures. |
| 2.1 Segregation of duties and supervisory review | The municipal division had not adequately segregated the duties of receiving and recording receipts, depositing monies, and updating court records, and had not established adequate supervisory reviews to detect errors and irregularities. The former Court Clerk was not always recording manual receipt slips and bonds in the computerized system, made numerous unauthorized entries into the system, and did not always handle fines and court costs consistent with the Municipal Judge's orders recorded on the case docket. |

Recommendation

Ensure independent reviews are performed of accounting records and electronic case records. In addition, the Municipal Division should compare



Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division
Follow-up Report on Audit Findings - Status of Findings

manual case files to the electronic case files and make corrections necessary to ensure case information is accurate.

Status

In Progress

The City Clerk is now responsible for performing an independent review of the accounting records and electronic case records.

City personnel are responsible for collecting municipal division receipts and entering them into the division's computerized system. The City Clerk reviews all deposits prepared to ensure the deposits match the amounts receipted and the composition of the receipts agrees to the composition of the deposits.

The City Clerk performs various monthly procedures, including reviewing a detailed report of all court receipts, ensuring all manual receipt slips are entered into the municipal division's computerized system, ensuring the amount held in the bond account agrees to the bank account balance, and reviewing the cash bonds received to ensure they are properly deposited.

In addition, the Court Clerk enters case information into the municipal division's computerized system throughout the month. The City Clerk compares the information in the physical case files to the electronic case records on a test basis monthly. However, this review is not documented and a listing of the cases reviewed is not maintained. The City Clerk indicated she will begin documenting her review in August 2016.

2.2 Manual receipt slips

The municipal division had not established proper controls or procedures for manual receipt slips, as follows:

- Two generic manual receipt slip books were used concurrently to record monies received, instead of recording receipts directly into the computerized system.
- Manual receipt slips were not always recorded in the computerized system timely and subsequently the related monies were not deposited timely.
- There was no independent review to ensure manual receipt slips issued were properly recorded in the computerized system and the related monies were subsequently deposited.

Recommendation

Ensure one manual receipt slip book is used at a time, the use of manual receipt slips is limited, manual receipt slips are retained and recorded timely in the computerized system, and monies are deposited timely. In addition, the numerical sequence of manual receipt slips should be accounted for



Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division
Follow-up Report on Audit Findings - Status of Findings

properly, and related receipt amounts should be reconciled to the computerized system by someone independent of the receipting process.

Status

Implemented

One manual receipt book is now used, and it is only used in limited situations. The new procedure is to record payments received directly into the computerized system, which generates a receipt. We reviewed the 6 manual receipts written in April 2016. All 6 were entered into the computerized system timely. In addition, we traced the monies collected for 3 of these manual receipt slips to the related deposits on the April 2016 bank statement and found no problems. An independent person performs a documented review to account for the numerical sequence of manual receipt slips and ensures they are properly entered into the computerized system. We verified this independent review had been documented during our review of April 2016 records.

2.3 Bond procedures

We identified various problems with handling of bonds.

- The municipal division did not issue a receipt slip or provide any other formal acknowledgement to the police department for receipt of cash bond transmittals, nor did an independent person reconcile municipal division bond receipts in the computerized system with the police department bond ledger or prenumbered bond forms to ensure all bonds were accounted for properly.
- Bonds were not always recorded in the computerized system timely or deposited timely.
- Some bond refunds were made in cash, instead of recording and depositing the bonds and issuing refund checks.

Recommendation

Work with the police department to establish procedures to account for the numerical sequence of bond forms. In addition, all bond receipts should be recorded and deposited timely and intact, and refunds made by check.

Status

Implemented

The City Clerk and the police department have implemented procedures to account for the numerical sequence of bond forms. A cash bond transmittal form is completed for each bond and signed by a police department employee and a city employee. These transmittals are then reviewed by the city employee who is primarily responsible for collecting court receipts to ensure the information has been correctly entered into the municipal division's computerized system. In addition, a police department employee emails a city employee a listing of bonds received the previous month as a final check to ensure all bonds have been accounted for properly. We



Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division
Follow-up Report on Audit Findings - Status of Findings

reviewed all cash bond transmittal forms received in April 2016, verified the bonds had been properly entered into the municipal division's computerized system, and traced them to the bank statement to ensure the related monies was deposited timely. In addition, the City Clerk stated all bond refunds are now made by check.

2.4 Unpaid fines and costs

The municipal division did not have procedures in place for reviewing and collecting monies due on tickets. The City Clerk prepared a list of open court cases as of September 2014, with the outstanding balance totaling approximately \$286,000.

Recommendation

Develop adequate procedures to account for and follow up on delinquent amounts.

Status

In Progress

The Court Clerk indicated the amount due to the court is now reviewed monthly. However, the court has not reviewed the information presented in audit report appendixes, which were used to determine the amount of additional missing monies, to ensure the outstanding balances reflected in the computerized system are correct. A review of this information could result in changes to the amount due to the court. The City Clerk stated she will work with the Court Clerk to determine how best to perform this review. We reviewed a listing of open cases as of April 2016 that showed an outstanding balance due to the court of approximately \$251,000.

2.5 Voided receipt transactions

Voided receipt transactions in the computerized system were not properly documented and the municipal division had not established procedures for review and approval of such transactions by persons independent of the receipting process.

Recommendation

Require an independent review and approval of void transactions, and document reasons for voiding transactions.

Status

Implemented

The City Clerk indicated clerks now maintain documentation supporting voided transactions, including the reason for voiding them, with the daily cashier session reports. The City Clerk is responsible for reviewing these transactions on a regular basis and initialing her approval. We reviewed the voided transaction report for April 2016 and found proper documentation supporting each transaction. In addition, the City Clerk documented her review and approval of these transactions.

3. Electronic Data Security

Municipal division procedures related to electronic data security needed improvement.



Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division
Follow-up Report on Audit Findings - Status of Findings

The municipal division had not established adequate password controls to reduce the risk of unauthorized access to computers and electronic data. The former Court Clerk and the Office Clerk (city employee who also worked for the municipal division) used the same user identification and password when entering receipts into the computerized system. In addition, employees were not required to change passwords periodically to help ensure they remained known only to the assigned user.

Recommendation

The City of Carl Junction Municipal Division require user identifications and passwords, which are confidential and periodically changed to prevent unauthorized access to municipal division computers and data, for all employees.

Status

In Progress

Each employee with computer access now has a unique, confidential password. In addition, when employees are terminated, their access is disabled timely. However, the computerized system does not have the capability to require employees to change passwords periodically. The City Clerk stated she will email all employees every 3 months to remind them to change their passwords.

4. Municipal Division Procedures

Municipal division procedures related to reports of cases heard and excess revenue reporting needed improvement.

4.1 Report of cases heard

The municipal division did not file a monthly report of cases heard with the city.

Recommendation

Ensure a monthly report of cases heard in the municipal division is prepared and filed with the city in accordance with state law and the Supreme Court Operating Rule.

Status

Implemented

According to the City Clerk, beginning in November 2015, a monthly report of cases heard is provided to the city. We reviewed the April 2016 report and noted it was properly filed with the city.

4.2 Excess revenue reporting

The city had not filed its annual financial statement, including an accounting of the percent of annual general operating revenue from fines and court costs, with the SAO for the year ended April 30, 2014, as required.

Recommendation

Work with the city to ensure annual financial statements, including the required accounting and calculation of possible excess revenues, are filed timely with the SAO.



Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division
Follow-up Report on Audit Findings - Status of Findings

Status

Implemented

The city filed its fiscal year ended April 30, 2014, annual financial statement with the SAO in April 2016, which was after the release of our audit report. The 2014 filing did not include an accounting of the percent of annual general operating revenue from fines and court costs. However, the city filed its fiscal year ended April 30, 2015, financial statement with the SAO in November 2015, and included an accounting of the percent. The City Clerk stated that in the future the city will file any required information timely with the SAO.



Office of Missouri State Auditor
Nicole Galloway, CPA

Twenty-Seventh Judicial Circuit
City of Rich Hill
Municipal Division



CITIZENS SUMMARY

Findings in the audit of Rich Hill Municipal Division

Accounting Controls and Procedures	Accounting controls need improvement and accountability for tickets and bond forms is not adequate. Neither the municipal division nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. Additionally, the Police Department and the municipal division have not developed adequate procedures to account for the numerical sequence or ultimate disposition of tickets issued. The Police Department also issues unnumbered bond forms and the bond log maintained by the municipal court is not complete. A monthly listing of bond liabilities (open bonds) is not prepared and reconciled with the bonds held in the city's bank account. The Court Clerk also does not adequately monitor accrued costs, including fines and court costs, incarceration costs, and court-ordered restitution.
Prosecuting Attorney Approval	The Prosecuting Attorney personally signs all traffic tickets processed by the court, but one of 14 tickets tested by auditors was not signed by the Prosecuting Attorney. Additionally, the Prosecuting Attorney's approval of dismissed traffic tickets is not always documented.
Excess Revenues	The municipal division does not have procedures in place to identify minor traffic violation tickets and the associated fines and court costs collected. In addition, the city did not perform any calculations to determine if excess revenues are due to the Department of Revenue.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Twenty-Seventh Judicial Circuit

City of Rich Hill Municipal Division

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Twenty-Seventh Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Rich Hill, Missouri

We have audited certain operations of the City of Rich Hill Municipal Division of the Twenty-Seventh Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

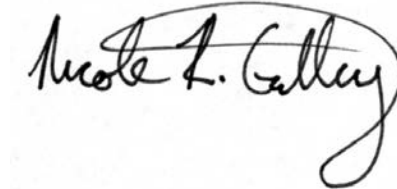
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with a court rule, and (4) noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Rich Hill Municipal Division of the Twenty-Seventh Judicial Circuit.

A petition audit of the City of Rich Hill, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written between the first and last names.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Rex Murdock, M.S.Acct.
Audit Staff:	Susan D. Mason, CPA

Twenty-Seventh Judicial Circuit

City of Rich Hill Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls need improvement and accountability for tickets and bond forms is not adequate.

1.1 Segregation of duties

Neither the municipal division nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. The Court Clerk is responsible for all duties related to collecting and recording monies, posting fines and court costs into the manual case records and the city's computerized accounting system, preparing deposits, and making disbursements. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the Court Clerk.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented supervisory or independent reviews of accounting records.

1.2 Ticket and bond accountability

Neither the Police Department nor the municipal division has developed adequate procedures to account for the numerical sequence or ultimate disposition of tickets issued. In addition, the Police Department issues unnumbered bond forms.

The Police Department maintains records to track ticket numbers assigned to each officer and the Court Clerk completes a log once tickets are issued and turned in by police officers to the court. However, neither the Court Clerk nor Police Department personnel periodically review the logs for gaps in ticket number sequence or missing tickets. The Police Chief indicated ticket books are sometimes left in a police car and used by reserve officers, rather than assigning each officer his/her own ticket book. Also, an officer left the employment of the city in December 2015, but failed to return his unissued tickets until June 2016 after being contacted by the Police Chief.

Because bond forms are not sequentially numbered, neither the Court Clerk nor Police Department personnel can account for them. In addition, the use of unnumbered bond forms decreases the ability to ensure bond receipts are adequately recorded and properly transmitted to the municipal division.

Without properly accounting for the numerical sequence of tickets and bond forms, there is less assurance that all tickets and bond forms issued are properly submitted to the municipal division for processing.

1.3 Bond liabilities

The bond log maintained by the municipal division is not complete. In addition, a monthly listing of bond liabilities (open bonds) is not prepared and reconciled with the bonds held in the city's bank account. We identified



Twenty-Seventh Judicial Circuit
City of Rich Hill Municipal Division
Management Advisory Report - State Auditor's Findings

a \$140 bond received in May 2015 that the Court Clerk had not posted to the manual bond log. We also identified a \$110 bond received in July 2015 that was deposited to the city's bank account but posted to the wrong account within the Police Fund. A reconciliation between the open bonds on the bond log and the bonds held by the city would have identified these errors.

A complete bond log is necessary to ensure proper accountability over bonds. Monthly listings of bond liabilities (open bonds) should be prepared and reconciled to bonds held by the city to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities.

1.4 Accrued costs

The Court Clerk does not adequately monitor accrued costs, including fines and court costs, incarceration costs, and court-ordered restitution. As of December 31, 2015, the court had 66 cases with balances due totaling \$26,433.

The court accepts partial payments from defendants and formal payment plans are signed by defendants. Generally a minimum payment of \$30 per month is required by the plan, but can vary depending on the judge's orders. For 4 of 5 cases we reviewed, payments had not been made as required by the payment plans and no follow-up actions occurred.

Proper and timely monitoring of accrued costs is necessary to ensure unpaid amounts are collected and proper follow-up action is taken. In addition, proper monitoring is necessary to provide information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible.

Recommendations

The City of Rich Hill Municipal Division:

- 1.1 Ensure documented periodic independent or supervisory reviews of municipal division records is performed.
- 1.2 Work with the Police Department to ensure the numerical sequence and ultimate disposition of all tickets issued is accounted for properly and bond forms issued are prenumbered and the numerical sequence is accounted for properly.
- 1.3 Maintain an accurate and complete bond log and ensure the log is reconciled to bond monies held by the city.
- 1.4 Establish procedures to monitor accrued costs and properly follow up on amounts due.

Auditee's Response

- 1.1 *We agree. This recommendation has already been implemented.*



Twenty-Seventh Judicial Circuit
City of Rich Hill Municipal Division
Management Advisory Report - State Auditor's Findings

- 1.2 *The Court Clerk is now accounting for the numerical sequence of all tickets and we will begin monitoring the ultimate disposition of all tickets issued. We plan to work with the city and Police Department to ensure bond forms are prenumbered and account for the numerical sequence of bond forms when they are posted to the bond log.*
- 1.3 *We agree and will ensure this is done.*
- 1.4 *The new Court Clerk is in the process of developing procedures for monitoring accrued costs and following up on amounts due.*

2. Prosecuting Attorney Approval

The Prosecuting Attorney did not always sign traffic tickets processed by the municipal division and the Prosecuting Attorney's approval of dismissed traffic tickets is not always documented.

It is the Prosecuting Attorney's procedure to sign all traffic tickets processed by the court. However, 1 of the 14 tickets we tested was not signed by the Prosecuting Attorney. In addition, we identified a ticket dismissed by the court without documentation of who approved the dismissal. The Prosecuting Attorney indicated she believes she dismissed the ticket; however, no other documentation could be provided.

Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the municipal division. The Prosecuting Attorney's review, documented with her signature, is needed to provide assurance proper cases and charges are filed with the municipal division. Additionally, to ensure the proper disposition of all cases has been entered in the municipal division records, the Prosecuting Attorney should sign or initial all dismissed tickets indicating her review and approval.

Recommendation

The City of Rich Hill Municipal Division ensure the Prosecuting Attorney signs all tickets and reviews and approves all dismissed tickets.

Auditee's Response

The Municipal Judge indicated she works closely with the Prosecuting Attorney to ensure all dismissed cases are properly documented. The Municipal Judge and the Prosecuting Attorney believe the case cited by the auditors was an exception, but will ensure all dismissals are properly documented in the future.

3. Excess Revenues

The municipal division does not have procedures in place to identify minor traffic violation tickets and the associated fines and court costs collected. This information is needed so that city officials can accurately calculate whether the city owes excess revenues to the Missouri Department of Revenue (DOR). City officials did not perform any calculations to determine if amounts were due to DOR.



Twenty-Seventh Judicial Circuit
City of Rich Hill Municipal Division
Management Advisory Report - State Auditor's Findings

In order to determine if excess revenues were collected in 2015, we reviewed the city's year end statement of revenues and expenditures for the General Fund (unaudited) that showed total revenues of \$155,708. We reduced that amount by the primary restricted revenue source included in the General Fund, motor-vehicle related taxes and fees that totaled \$51,569. After adjustment, total general operating revenue was determined to be \$104,139. We compared that amount to total revenues reported to OSCA by the court (\$18,941 in 2015). We were unable to determine the revenues received from minor traffic violations because the municipal division does not have procedures in place to track those types of violations and related revenues received. The percentage of general operating revenue derived from total court revenue in 2015 is about 18 percent. The municipal division needs to take action to begin monitoring revenues received from minor traffic violations and work with the city to accurately calculate this percentage in future years to ensure compliance with state law.

Section 302.341.2, RSMo (as it existed from August 28, 2013 to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations in its annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR.

Effective August 28, 2015, Senate Bill 5 changes the excess revenues requirements. Section 479.350, RSMo, provides new definitions for elements of the excess revenues calculation. Section 479.359.1, RSMo, requires cities to annually calculate the percent of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations and send any excess revenues to the DOR. Section 479.359.2, RSMo, reduces the amounts of these revenues the city may retain in the future.

Due to the impact of these provisions on operations of the municipal division and the city, it is important the city and its municipal division take immediate action to implement policies and procedures to ensure future compliance with state law.

Recommendation

The Rich Hill Municipal Division work with the city to prepare and ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues and court revenues in the calculations. In addition, the Board of Aldermen should calculate excess revenues for fiscal year 2015, maintain documentation to support the calculation, and make payment to the DOR, if appropriate, for any excess revenues identified.

Auditee's Response

We agree and will work with the city to ensure compliance with state law.

Twenty-Seventh Judicial Circuit

City of Rich Hill Municipal Division

Organization and Statistical Information

The City of Rich Hill Municipal Division is in the Twenty-Seventh Judicial Circuit, which consists of Bates, Henry, St. Clair Counties. The Honorable James K. Journey serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. The municipal division does not utilize OSCA's statewide automated case management system known as the JIS. Instead, the municipal division maintains manual records.

Personnel

At December 31, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	Debra Hopkins
Court Clerk	Scott Skocy

Financial and Caseload Information

	Year Ended December 31, 2015
Receipts	\$18,941
Number of cases filed	127

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 12.00
Domestic Violence Shelter	2.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Inmate Prisoner Detainee Security	2.00
Sheriff's Retirement Fund	3.00

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report which can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2015agencyreports.pdf?sfvrsn=2>. The following table presents data excerpted from the AGO report for the City of Rich Hill Police Department. In addition, see information at <https://ago.mo.gov/home/vehicle-stops-report/2015-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.



Twenty-Seventh Judicial Circuit
City of Rich Hill Municipal Division
Organization and Statistical Information

Racial Profiling Data/2015 - Rich Hill Police Department - Population 1,056¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	104	100	2	1	0	0	1
Searches	3	3	0	0	0	0	0
Arrests	4	3	1	0	0	0	0
Statewide Population %	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population %	N/A	95.64	0.19	1.33	0.00	0.57	2.27
Disparity Index ²	N/A	1.01	10.15	0.73	#Num!	0.00	0.42
Search Rate ³	2.88	3.00	0.00	0.00	#Num!	#Num!	0.00
Contraband hit rate ⁴	0.00	0.00	#Num!	#Num!	#Num!	#Num!	#Num!
Arrest rate ⁵	3.85	3.00	50.00	0.00	#Num!	#Num!	0.00

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#Num! indicates zero denominator



Office of Missouri State Auditor
Nicole Galloway, CPA

**Monthly Report on Municipal Court
and Revenue Filings
July 2016**

Monthly Report on Municipal Court and Revenue Filings

July 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this compilation is to report the filing status for the city with a January 31, 2016, fiscal year end, that was required to file a financial report by July 31, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030, and, when applicable, a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180. The filing status for the city is presented on page 3 and in Appendix A. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them.

Section 479.362, RSMo, provides that the State Auditor's Office (SAO) notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the addendum provision of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, and will not be transmitting any information related to the addendum under Section 479.359, RSMo, to the Department of Revenue.

This report also includes the updated filing status for cities, towns, and villages that filed at least one of the items (financial report, addendum, or certification) in July 2016, after their filing deadline. The filing status for these 47 cities, towns, and villages is presented in summary on page 3 and by individual entity in Appendix B, Appendix C, Appendix D, and Appendix E.

Nicole R. Galloway, CPA
State Auditor

The following staff participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
General Counsel: Paul Harper, JD
Senior Analyst: Dana Wansing, MPA

Monthly Report on Municipal Court and Revenue Filings

July 2016

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359.1, RSMo, effective August 28, 2015, requires every county, city, town, and village to annually calculate the percentage of its annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations.

Section 479.359.3 provides that all municipalities file an addendum to the annual financial report containing (1) annual general operating revenue; (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations; and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the provisions of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, but has identified entities filing addendums.

Section 479.360, RSMo, effective August 28, 2015, requires every county, city, town, and village that operates a municipal court to file with its annual financial report a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. 15 CSR 40-3.180 provides the procedure to file the municipal court certification. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

This report includes the filing status for the city with a fiscal year end of January 31, 2016, whose financial report was due by July 31, 2016. This entity did not file a financial statement by the reporting deadline and did not have to file a municipal court certification. No counties had to file within the reporting period of this report.

This report also includes the filing status for 47 cities, towns, and villages that filed at least one of the items (financial report, addendum, or certification) in July 2016, after their filing deadline. Of these entities, 22 filed an annual financial report, 11 filed an addendum, and 28 filed a municipal court certification.

Appendix A
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due July 31, 2016

Fiscal Year Ended January 31, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of St. Martins	No	—	n/a
Total Filed	0	0	0
Total Not Filed	1		0
Total N/A	0		1

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

n/a Entities without a municipal judge are not required to file a certification.

Appendix B

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due June 30, 2016

Filed in July 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Bates City	Yes	Yes	**
City of Bridgeton	**	—	Yes
City of Cassville	**	—	Yes
City of Chilhowee	Yes	—	n/a
City of Eldon	No	Yes	Yes
City of Fremont Hills	Yes	—	n/a
City of Galena	No	**	Yes
City of Grain Valley	**	—	Yes
City of Greentop	Yes	—	n/a
City of Kimberling City	Yes	Yes	Yes
City of Knob Noster	Yes	**	Yes
City of Laclede	Yes	—	n/a
City of Lake Lotawana	No	—	Yes
City of Lake Ozark	**	—	Yes
City of Lake Waukomis	Yes	**	**
City of Lincoln	Yes	**	**
City of Marionville	Yes	Yes	Yes
City of Marston	Yes	—	**
City of New Bloomfield	Yes	—	No
City of New Madrid	No	Yes	Yes
City of Noel	No	Yes	Yes
City of Osage Beach	**	—	Yes
City of Parkville	Yes	**	**
City of Polo	**	—	Yes
City of Reeds Spring	No	—	Yes
City of Republic	**	—	Yes
City of Seneca	**	Yes	Yes
City of Southwest City	No	Yes	Yes
City of St. Charles	**	—	Yes
City of St. Robert	Yes	Yes	Yes
City of Tracy	Yes	—	Yes
City of Wheaton	**	—	Yes
Village of Airport Drive	**	Yes	n/a
Village of Country Club	Yes	**	**
Village of Jameson	Yes	Yes	n/a
Village of Mackenzie	**	—	n/a ³
Total Filed	17	11	22

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by June 30, 2016

n/a Entities without a municipal judge are not required to file a certification.

3 Officials reported the political subdivision does not have a municipal court.

Appendix C

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due April 30, 2016

Filed in July 2016

Fiscal Year Ended October 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Carterville	No	—	Yes
Total Filed	0	0	1

- * As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

Appendix D

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due March 31, 2016

Filed in July 2016

Fiscal Year Ended September 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Branson West	No	—	Yes
City of Brookfield	Yes	**	n/a
City of Buckner	No	—	Yes
City of Buffalo	**	***	Yes
City of Festus	***	—	Yes
City of Fredericktown	Yes	**	**
City of Lake Lafayette	Yes	—	n/a
Total Filed	3	0	4

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by March 31, 2016

*** Filed after March 31, 2016, but before July 1, 2016

n/a Entities without a municipal judge are not required to file a certification.

Appendix E
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due December 31, 2015
Filed in July 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*^	Filed Certification^
Fiscal Year Ended April 30, 2015			
City of Portageville	Yes	—	***
Fiscal Year Ended June 30, 2015			
City of Franklin	**	—	Yes
Town of Huntsdale	Yes	—	n/a
Total Filed	2	0	1

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

^ 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the SAO addendum and certification forms by cities, towns, or villages with a fiscal year end before August 28, 2015.

** Filed by December 31, 2015.

*** Filed after December 31, 2015, but before July 1, 2016.

n/a Entities without a municipal judge are not required to file a certification.



Office of Missouri State Auditor
Nicole Galloway, CPA

Village of South Greenfield



CITIZENS SUMMARY

Findings in the audit of the Village of South Greenfield

Internal Controls, Records, and Procedures	There are significant weaknesses with the village's internal controls, records, and procedures. The Board of Trustees (Board) has not adequately segregated accounting duties, and there is insufficient oversight of work performed by the Board Chairperson and Village Clerk. The Board needs to improve accounting records, maintain accurate fund ledgers, and ensure bank reconciliations are performed for all village accounts. The Board lacks procedures to ensure trustee candidates are qualified to run for office.
Utility System Controls and Procedures	There are significant weaknesses in utility system controls and procedures. Receipt slips are not issued for some utility payments received, receipts are not kept in a secure location, and payments are not posted to the billing system timely. Current water and sewer rates are not supported by a statement of costs or other documentation supporting how the costs were determined. Refundable water deposit monies are not accounted for properly. The village does not charge customers for certain statutory fees.
Disbursements	Significant weaknesses exist in the controls and procedures over disbursements. The Board's review and approval of disbursements was not adequately documented. The Board does not have contracts with its Water or Sewer Operator and did not document the reasons for classifying the Village Clerk as an independent contractor rather than an employee. The Board has not established controls to ensure transfers between funds are proper and approved by the Board. Some disbursements were not adequately supported, and numerous disbursements allocated to only one fund could have been allocated to several funds.
Ordinances and Sunshine Law Issues	Village ordinances are not organized, complete, or up to date. The village lacks a written policy regarding public access to records, and open record requests are not maintained to ensure compliance with state law. In addition, meeting minutes do not contain adequate documentation.
Budgets and Financial Reporting	Annual budgets are not prepared in accordance with state law and significant improvement is needed in financial reporting practices.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Village of South Greenfield

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Chairperson
and
Members of the Board of Trustees
Village of South Greenfield, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of South Greenfield. We have audited certain operations of the village in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

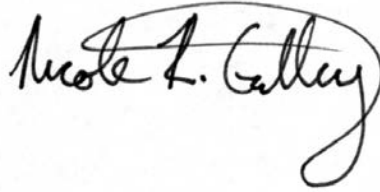
1. Evaluate the village's internal controls over significant management and financial functions.
2. Evaluate the village's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Village of South Greenfield.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Connie James

Village of South Greenfield

Management Advisory Report

State Auditor's Findings

1. Internal Controls, Records, and Procedures

There are significant weaknesses with the village's internal controls, records, and procedures.

1.1 Segregation and oversight

The Board of Trustees (Board) has not adequately segregated accounting duties and there is no supervisory or independent oversight of the work performed by the Board Chairperson and Village Clerk. The Board Chairperson performs most record keeping related to utility accounts, including preparing billings, receipting and recording payments received in the utility system, and making deposits. The Village Clerk posts deposit totals and cleared checks to the financial accounting system. For the General Fund and County Aid Road Trust (CART) Fund, the Chairperson and the Village Clerk both receipt monies, the Chairperson makes deposits, and the Village Clerk posts cleared transactions to the computerized accounting system. In addition, the Board Chairperson is responsible for preparing, signing, and distributing all village checks.

Proper segregation of duties and adequate oversight of accounting functions helps ensure all transactions are accounted for properly and assets are adequately safeguarded.

1.2 Accounting records

The Board needs to improve the accounting records and maintain current and accurate fund ledgers. The village maintains a computerized accounting system to track the financial activity for all funds, and a utility billing system for customer utility accounts. In addition, for the General, Water Department, and Sewer Revenue Funds manual check registers are also maintained, but were not complete and fund balances were not up to date. The financial reports provided to the Board do not show the beginning fund balance, monthly receipts by source, disbursements by type, or ending balance for each fund.

The computerized accounting system is updated when the bank statements are received, rather than when monies are received and checks are written, meaning the accounting system only reflects cleared activity, not receipts and disbursements of the village as they occur. The system also does not reflect all certificates of deposit balances. At January 1, 2015, the village had certificates of deposit balances totaling \$24,379, but the system only showed balances totaling \$10,612. In addition, the village cannot determine whether restricted or unrestricted funds were used to purchase the certificates of deposit. As certificates of deposit are redeemed, village officials transfer the money into any fund at their discretion (see finding number 3.3). The General Fund received proceeds from redeemed certificates of deposit totaling \$11,612 during 2015.



Village of South Greenfield Management Advisory Report - State Auditor's Findings

Complete and accurate financial records are necessary for the Board to make informed decisions and effectively monitor financial activity. Receipts and disbursements associated with restricted usage should be recorded in the fund established to account for this usage and ensure compliance with state laws.

1.3 Bank reconciliations

Village personnel do not perform bank reconciliations for the village's general, sewer revenue, water department, water deposit, or CART accounts. Check registers and the computerized accounting system are not accurate or up to date for these accounts, and as a result, accurate bank reconciliations cannot be performed.

Monthly bank reconciliations help ensure bank and book balances are in agreement and errors are detected and corrected timely. Maintaining an accurate book balance for each account would also aid in preparing the monthly bank reconciliations and monitoring the bank balances.

1.4 Candidate qualifications

The Board has not established adequate procedures to ensure all candidates for the position of trustee are qualified to run for office. A current trustee was allowed to be listed on the April 2016 election ballot despite apparently not meeting statutory qualifications. The Dade County Assessor's tax ownership map and County Clerk's voter registration records show this individual is neither a resident nor registered voter of the village. The trustee in question showed us documentation he believes supports his position that his property is within village boundaries. The village Chairman indicated this documentation has been provided to the village attorney. Board minutes for the March 9, 2016 meeting, indicate the Board voted to re-survey the village limits and record the results in hopes of resolving this matter. As of June 1, 2016, no further action had been taken by the Board.

Section 80.050, RSMo, provides a person is to live within the village at the time of the election and for a year prior to the time of the election to be qualified to run as a trustee.

Recommendations

The Board of Trustees:

- 1.1 Segregate accounting duties to the extent possible and ensure documented independent or supervisory reviews of the accounting records and bank records are performed.
- 1.2 Require proper accounting of village activities, including recording financial activity into fund ledgers as it occurs, and preparing monthly financial reports that provide detailed fund balance, receipts, and disbursements information. In addition, restricted revenues should be recorded in the appropriate fund.



Village of South Greenfield
Management Advisory Report - State Auditor's Findings

- 1.3 Ensure monthly bank reconciliations are prepared for all bank accounts and cumulative book balances are accurate.
- 1.4 Establish procedures to ensure candidates for village office possess the statutory qualifications for holding office. In addition, the Board should continue to pursue a resolution to this matter through their legal counsel.

Auditee's Response

- 1.1 *We agree and will determine one member of the Board to provide supervision over the duties of the Village Clerk.*
- 1.2 *We agree and we have already taken steps to improve our financial records. We have recently upgraded to a new financial accounting system and our clerk is now preparing monthly reports of financial activity. We have begun to identify the fund used to purchase new certificates of deposits and the Board will review the unidentified balances and determine which funds the money belongs to.*
- 1.3 *We agree and all bank reconciliations will be done in the future.*
- 1.4 *We agree and in the future we will establish procedures to ensure candidates are qualified to run for office.*

2. Utility System Controls and Procedures

There are significant weaknesses in utility system controls and procedures. The village provided water and sewer services to 60 customers, and collected approximately \$58,000 in fees during the year ended December 31, 2015.

2.1 Receipting, recording and depositing

Receipt slips are not issued for some utility payments received, receipts are not kept in a secure location until deposited, and payments received are not posted to the utility billing system timely. In addition, deposits are not made intact or timely, and the composition of receipts is not compared to the composition of deposits by an independent person.

Receipt slips are only issued for cash payments or upon request. If utility stubs are submitted with payments, they are marked paid, but are just placed haphazardly in a box with all other paid utility stubs. As a result, there is not a complete initial record of receipts to reconcile to postings in the utility billing system. In addition, Board trustees and employees will accept payments at their home or outside of the village hall, even though payments can be made by mail or placed in a drop box (although the drop box is not adequately secured). Also, receipts collected are maintained on the office desk or held by the Board Chairperson until deposited.



Village of South Greenfield Management Advisory Report - State Auditor's Findings

When a payment is received and whether a receipt slip is issued or not, the payment is posted to the utility billing system as part of a batch. However, when a batch is closed, monies on hand are not always deposited intact or timely. No comparison of batch totals to amounts deposited is performed by the Board Chairperson before making the deposit or reviewed by an independent person. One batch contained payments received between January 12, 2015, and January 31, 2015, while two other batches opened during this same time period contained payments within this date range. The three batches totaled \$2,643. The receipts from these three batches were split between five deposits, totaling \$2,537, leaving a shortage of \$104.

We compared the batch totals for all payments recorded in the utility system during 2015 to deposits and identified cash receipts of \$247 that could not be traced to a deposit, and check payments of \$33 that were deposited but not posted to the accounting system. We also noted one deposit included a \$53 check that was not posted to the system, but the following month an adjustment was made to record the payment in the system. Monies collected and posted to a batch should be kept together and deposited intact when the batch is closed in the system.

To properly account for all receipts and ensure monies are accounted for properly and deposited intact, prenumbered receipt slips should be issued in numerical order for all monies received, all receipts should be posted to the utility billing system timely and deposited intact. In addition, the composition of the amounts posted to the utility billing system should be compared to the composition of deposits by an independent person and receipts should be kept secure until deposited.

2.2 Water and sewer rates

Current water and sewer rates are not supported by a statement of costs or other documentation supporting how the rates were determined. A cost study was performed to support a 2012 water rate increase. The Board increased water and sewer rates in 2013 without preparing a statement of costs or maintaining documentation to support how rate increases were calculated. Current water rates exceed the rates set in 2013 and village officials could not explain why or provide documentation to support changes to rates subsequent to 2013. Without a current cost study for both systems, it is unclear whether the rates assessed for these services are set at an appropriate level.

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of costs, which shows the increase is necessary to cover costs of providing the service. To ensure utility rates are set to cover the cost of providing the related services, the village should perform and document a detailed cost study of its water and sewer costs, including depreciation, and establish rates to cover the total cost of operations without generating excessive profits.



Village of South Greenfield Management Advisory Report - State Auditor's Findings

2.3 Water security deposits

Refundable water deposit monies held in the water security deposit account are not accounted for properly. At December 9, 2015, the listing of water deposits held generated from the computerized utility system totaled \$6,741. The Board Chairperson informed us she was aware of a variety of errors in this balance, caused mainly by security deposits being applied to a customer's final bill or refunds made but not updated on the listing. After making corrections to the listing she originally provided, the listing balance totaled \$3,300, which still exceeded the available balance of the bank account by \$884.

Refundable water deposit monies are restricted funds held for customers. To ensure all water deposit monies received from customers are accounted for properly, the Board should review water deposit records to ensure all monies received were deposited and posted to the appropriate customer account, and prepare an accurate list of water deposits held. This listing should be updated regularly and reconciled monthly to monies in the water deposit bank account.

2.4 Department of Natural Resources fees

The village does not charge customers for the Missouri Department of Natural Resources (DNR) primacy and wastewater fees. The village is required to collect a primacy fee of \$3.24 per year from each customer and then pay the DNR 98 percent of the fee and retain 2 percent. In addition, the village is required to collect an annual sewer service connection permit fee of \$0.80 per connection and remit the collections to the DNR. In 2015 the village paid the primacy and permit fees, totaling \$234, but did not collect the fees from the customers.

Section 640.100.5, RSMo, provides for an annual primacy fee for each customer service connection to be collected by the village. The village is to retain 2 percent of the fees for the purpose of reimbursing its expenses for billing and collection of such fees. Section 644.052.10(5), RSMo, provides the sewer service connection permit fees are to be collected from the customer in monthly, quarterly, or annual increments and remitted to the DNR.

Recommendations

The Board of Trustees:

- 2.1 Ensure prenumbered receipt slips are issued for all payments received and all payments received are posted to the billing system timely; receipts are deposited intact and timely; and independent reconciliations of the composition of amounts posted to the billing system to the composition of deposits are performed. In addition, the Board should ensure payments are kept secure until deposited and investigate the undeposited receipts.



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- 2.2 Ensure a statement of costs is prepared to support utility rates and document formal reviews of water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing these services. In addition, the Board should ensure rates charged have been approved.
- 2.3 Ensure an accurate list of water deposits is prepared and reconciled monthly to monies in the water deposit bank account. Any discrepancies should be investigated and resolved.
- 2.4 Charge customers appropriate fees in accordance with state law.

Auditee's Response

- 2.1 *We agree and will issue a prenumbered receipt or maintain a utility stub for every payment received. Payments are now being posted to the system as received and deposits will be made intact once we have \$100 or more on hand. The Board will determine one member to periodically review, on a rotational basis, the accounting records maintained by the clerk. The Board plans to install a more secure drop box at village hall. Utility payments will only be accepted at the village hall in person, by mail, or in the drop box. The Board will discuss the undeposited receipts and determine any actions needed.*
- 2.2 *We will analyze costs for water and sewer and set the rates accordingly and we will ensure the rates actually charged agree to the rates approved by the Board.*
- 2.3 *Board members will work together to identify any water security deposits held for customers currently and will provide the list to the clerk. The clerk will reconcile the balance of the listing to the water security deposit account monthly.*
- 2.4 *In the past these fees were figured into the overall rate. In the future we will ensure the review of rates does include the DNR fees.*

3. Disbursements

Significant weaknesses exist in the controls and procedures over disbursements.

3.1 Disbursement review and approval

The Board's review and approval of disbursements was not adequately documented. Although Board meeting minutes documented discussion of pending payments, generally the minutes did not document the approval of disbursements. In addition, invoices were not signed or initialed by the Board, and a list of all disbursements approved for payment by the Board was not prepared to accompany the minutes.



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To adequately document the Board's review and approval of disbursements, a complete and detailed listing of disbursements should be prepared, signed or initialed by the Board members to denote their approval, and retained with the official minutes. In addition, the Board or someone independent of the disbursement process should review supporting documentation before payment is made. Failure to properly review all invoices and supporting documentation, and document authorizations, increases the possibility of inappropriate disbursements occurring.

3.2 Contracted labor and employee classifications

The Board does not have contracts with its Water or Sewer Operator and did not document the reasons for classifying the Village Clerk as an independent contractor rather than an employee. None of the amounts paid to any of these workers was reported on 1099 forms and the city did not withhold payroll and income taxes from payments made to the current Village Clerk or the previous two individuals who served in that role during 2015.

The Board does not maintain written contracts to define job responsibilities for the Water or Sewer Operator. During the year ended December 31, 2015, the village paid the Water Operator \$5,229, the former Sewer Operator \$1,200, and the current Sewer Operator \$4,195. The operators are paid a set monthly amount to maintain the system, but if they perform additional work outside their normal job responsibilities, they are paid an hourly rate for those services. The amounts paid during 2015 include both set monthly amounts and payments for additional work. Without employment contracts, there is no way to ensure additional pay was for work outside of the regular job functions.

Two individuals served as Village Clerk during 2015 and were paid a total of \$4,764 (\$1,550 to one and \$3,214 to the other).

The Board should obtain written contracts, as needed, which specify the services to be rendered and the manner and amount of compensation to be paid. In addition, Section 432.070, RSMo, requires contracts of political subdivisions be in writing. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties. Section 105.300, RSMo, defines an elected or appointed officer or employee of a political subdivision as an employee for Social Security and Medicare tax purposes. For employees, the IRS requires employers to report compensation on W-2 forms and withhold and remit income and payroll taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. Sections 6041 to 6050W of the Internal Revenue Code require non-wage payments of at least \$600 in one year to an individual be reported to the federal government on a 1099-MISC form.



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3.3 Transfers

The Board has not established controls to ensure transfers between funds are proper and approved by the Board. Minutes do not always document the discussion or approval of transfers. Certificates of deposit established years ago have been redeemed and the proceeds put into various village funds; however, it is unclear if these transfers were appropriate as there is no documentation for the source of funds originally used to purchase the certificates of deposit. Since the certificates of deposit are not adequately tracked in the accounting system, as discussed in MAR finding number 1.2, the certificates of deposit activity is not adequately communicated to the Board and the citizens. For example, on January 15, 2015, a certificate of deposit was redeemed for \$10,112 and the accounting system showed a transfer on January 15, 2015, for \$6,612 into the General Fund and another transfer on January 30, 2015, for \$3,500 into the Sewer Revenue Fund. The January 14, 2015, minutes only mention the approval to redeem the certificate of deposit, but nothing regarding the placement of the funds.

As another example, in November 2015 a transfer of \$1,000 was made from the Water Security Deposit Fund to the General Fund. The village did not maintain documentation to support the reason for the transfer from the restricted fund and board meeting minutes do not discuss or approve this transfer.

To ensure restricted monies are used for the intended purpose, monies held in a certificate of deposit should be credited to the appropriate fund and any transfers between funds should be approved by the Board. Payments or transfers from restricted funds should occur only for allowable and specific purposes, and reasons should be adequately documented.

3.4 Allocation

Some disbursements allocated to the General Fund and various other funds were not reasonable and were not adequately supported. In addition, numerous disbursements allocated to only one fund could have been allocated to several funds. For example, in 2015 all costs of the Village Clerk's wages, surety bond coverage, accounting software, and employment posters were allocated to the General Revenue Fund when some of these costs could have been allocated to other funds. Stamp purchases for mailing water and sewer bills were fully allocated to the Water Department Fund with no portion allocated to the Sewer Revenue Fund.

The proper allocation of expenses is necessary to accurately determine the results of operations of specific activities, thus enabling the village to establish the level of taxation and/or user charges necessary to meet all operating costs. To ensure funds are used for intended purposes, the allocation of expenditures to village funds should be based on specific criteria, such as the number of hours worked by each employee, and documentation supporting allocation decisions should be retained.



Village of South Greenfield
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3.5 Supporting documentation

Village personnel did not maintain adequate supporting documentation for some disbursements. For example, payments totaling \$3,682 for billings for rock hauling and the use of equipment were not supported by load tickets.

All disbursements should include proper supporting documentation to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

Recommendations

The Board of Trustees:

- 3.1 Review and document approval of all disbursements and supporting documentation.
- 3.2 Obtain and retain written contracts for services that specify the services to be rendered and the manner and amount of compensation to be paid and ensure 1099-MISC forms are issued in accordance with IRS regulations. The Board should also ensure all persons hired by the village are properly classified as employees or contract employees in compliance with state and federal laws and regulations, and all compensation paid is subject to income and payroll taxes and properly reported.
- 3.3 Establish a process to ensure transfers between funds are proper and approved. In addition, the Board should ensure water security deposit funds are used for their intended purpose.
- 3.4 Ensure costs are allocated to the appropriate funds, supported by adequate documentation, and the documentation retained.
- 3.5 Require adequate, detailed supporting documentation be retained for all disbursements.

Auditee's Response

- 3.1 *We agree and are already reviewing and documenting our approval of all disbursements and supporting documentation.*
- 3.2 *We are in the process of obtaining written contracts with the Water and Sewer Operators and will take the other aspects of this recommendation under advisement.*
- 3.3 *We are in the process of establishing additional controls over our financials records, and have switched our accounts to a different bank. Any transfers made in the future will be approved along with other disbursements. The Board already plans to review the water security deposit issue and will ensure any uses of those funds are appropriate in the future.*



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3.4 *We will review the allocation of costs and we will have our clerk track how much time she spends on various functions to determine the proper allocation of her salary.*

3.5 *We agree and are now doing this.*

4. Ordinances and Sunshine Law Issues

Village ordinances are not organized, complete, or up to date. The village has not adopted a written policy regarding public access to village records and open record requests are not maintained in manner to ensure compliance with state law. In addition, meeting minutes do not contain adequate documentation.

4.1 Ordinances

Village ordinances are not organized, complete, or up to date. Ordinances for water and sewer rates have not been updated to be consistent with current policy. Village ordinances are not codified nor maintained in a well-organized manner.

Also, the village has not adopted an ordinance for the village employees' job responsibilities, work hours, compensation, and other applicable items. Section 80.240, RSMo, provides that the Board may appoint certain officials, prescribe their duties, and fix their compensation. Compensation should be set by ordinance.

Because ordinances passed by the Board to govern the village and its residents have the force and effect of law, it is important ordinances be current, complete, and organized.

4.2 Public access policy

The Board has not adopted a written policy regarding public access to village records as required by state law. A written policy regarding public access to village records would establish guidelines for the village to make records available to the public. This policy should identify a person to contact, provide an address to mail such requests, and establish fees that may be assessed for providing copies of public records.

Section 610.023, RSMo, lists requirements for making records available to the public. Section 610.026, RSMo, allows the village to charge fees for providing access to and/or copies of public records and provides requirements related to fees.

4.3 Record requests

Village personnel do not maintain adequate records of requests for records from citizens to show compliance with state law. While actual request letters are maintained in a binder, no log of requests is maintained for providing other important information, such as the date a request was received and when records were provided.



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Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received. To ensure compliance with state law, the city should document adequate information in a log to determine if requests are completed timely and all requests are adequately filled. Necessary information includes, but is not limited to, the date of request, a brief description of the request, the date the request is completed or reason why the request cannot be completed, and any associated costs of filling the request.

4.4 Meeting minutes

Minutes for monthly Board meetings are neither signed by the Village Clerk as the preparer, nor subsequently approved by the Board. In addition, we noted instances where a trustee abstained from voting on certain issues, but minutes did not specify who abstained.

Section 610.020, RSMo, requires meeting minutes be maintained as a record of business conducted and to provide an official record of Board actions and decisions. The meeting minutes should be signed by the Village Clerk as preparer and subsequently approved by the Board to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the meetings. In addition, meetings should include the date, time, place, members present, members absent, and a record of votes taken.

Recommendations

The Board of Trustees:

- 4.1 Ensure ordinances are maintained in a complete, well-organized, and up-to-date manner, new ordinances are passed when appropriate, and an index of all ordinances passed and rescinded is established. The Board should also establish, by ordinance, village employees' duties and compensation and current water and sewer rates.
- 4.2 Develop written policies regarding procedures to obtain access to, or copies of, public records.
- 4.3 Ensure requests for information are responded to timely and maintain a public request log to help ensure compliance with state law.
- 4.4 Maintain complete and accurate minutes for all meetings and ensure meeting minutes are signed by the preparer and subsequently approved by the Board.



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Management Advisory Report - State Auditor's Findings

Auditee's Response

- 4.1 *We are in the process of getting our ordinance book updated and we will add or revise any ordinances as necessary to comply with state law.*
- 4.2 *We agree and will adopt a policy.*
- 4.3 *We agree and have already developed a log to track these requests.*
- 4.4 *We agree and are already doing this.*

5. Budgets and Financial Reporting

Annual budgets are not prepared for village funds in accordance with state statute and significant improvement is needed in financial reporting practices.

5.1 Budgets

The Board does not have adequate procedures to prepare or monitor budgets.

Village budgets prepared for the year ended December 31, 2015, did not contain all required elements and as of March 2016, a budget had not been prepared for the 2016 fiscal year. The 2015 budget presented some certificates of deposit balances and anticipated routine expenditures, but these expenditures were not categorized by fund. The budget did not include a budget message, estimated revenues for each fund, actual or budgeted amounts for the 2 preceding years, the actual beginning and estimated ending cash for any funds, or a budget summary. In addition, budget-to-actual reports of financial activity are not presented to the Board at their monthly meetings. As a result, the Board is not using all available information to assist in effectively managing the village and the public is not provided a complete overview of village finances. Also, there is no evidence the 2015 budget was approved by the Board.

Section 67.010, RSMo, requires the budget to present a complete financial plan for the ensuing budget year and outlines the various information be included in the budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of village operations. It also assists in setting the tax levy, utility rates, and informing the public about village operations and current finances. Once the village prepares an adequate budget annually, ongoing monitoring of budget-to-actual receipts and disbursements is necessary for the budget to be an effective management tool. In addition, Article VIII, Section 807 of both the 2004 Series A and B, and 2009 Series C bond covenants for the combined waterworks and sewerage systems requires a budget to be prepared in accordance with state law.



Village of South Greenfield Management Advisory Report - State Auditor's Findings

5.2 Published financial statements

The village does not publish or post semiannual financial statements as required by state law. As a result, information regarding the village's financial activity and condition is not available to citizens.

Section 80.210, RSMo, requires the Board prepare and publish semiannual financial statements in a local newspaper, or if there is no local newspaper, to post semiannual financial statements in at least six of the most public places in the village.

5.3 Financial reporting

Village personnel have not filed annual financial reports with the State Auditor's Office as required by state law. The village last submitted an annual financial report in April 2014 for the year ending December 31, 2013. In May 2015, the village filed a financial report that only presented activity for the month of April 2015.

Section 105.145, RSMo, requires each political subdivision to file annual reports of its financial transactions with the State Auditor's Office.

5.4 Audits

The village has not obtained annual audits of its water and sewer system as required by state law and village water and sewer bond covenants. Section 250.150, RSMo, requires the village obtain annual audits of the combined water and sewer system and the cost be paid from revenues received from the system. In addition, Article VIII, Section 808 of both the 2004 Series A and B, and 2009 Series C bond covenants for the combined waterworks and sewerage systems requires annual audits.

Recommendations

The Board of Trustees:

- 5.1 Prepare annual budgets that contain all information required by state law and ensure the budget and financial condition are adequately monitored. In addition, the Board's approval of the budget should be documented in the Board minutes.
- 5.2 Publish or post semiannual financial statements as required by state law.
- 5.3 File annual financial reports with the State Auditor's Office as required by state law.
- 5.4 Obtain annual audits of the waterworks and sewerage system as required by state law and bond covenants.

Auditee's Response

- 5.1 *We agree. A budget for 2016 has now been prepared and our clerk is now preparing monthly reports of activity and budget-to-actual reports on a monthly basis.*



Village of South Greenfield
Management Advisory Report - State Auditor's Findings

5.2&

5.3 *We agree and plan to fully implement these recommendations.*

5.4 *We will discuss annual audits and take this recommendation under advisement.*

Village of South Greenfield

Organization and Statistical Information

The Village of South Greenfield is located in Dade County. Village operations were moved to a new location in 2014, which had been donated to the village. The village moved when it was determined the old village hall was damaged beyond repair. The village was incorporated in 1884. The village employed 3 part-time employees on December 31, 2015.

Village operations include water and sewer services and street maintenance.

Chairperson and Board of Trustees

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairperson is appointed by the board from the trustees. The Board of Trustees, at December 31, 2015, are identified below. Board trustees do not receive compensation.

Michelle Gass, Chairperson
Carl Sigman
Larry D. Watson
Nicholas Watson
Vacant seat

Financial Activity

A summary of the village's financial activity for the year ended December 31, 2015, follows:

Village of South Greenfield
Schedule of Receipts, Disbursements, and Changes in Cash
Year Ended December 31, 2015

	General Fund	CART Fund	Water Department Fund	Water Bond Fund	Water Replace & Extend Fund	Sewer Revenue Fund	Sewer Bond Fund	Sewer Replace & Extend Fund	Water Security Deposit Fund	Certificates of Deposit ¹	Total
RECEIPTS											
Property taxes	\$ 3,939										3,939
Motor fuel and vehicle taxes		3,530									3,530
Franchise fees	1,247	1,401									2,648
Utilities			36,061			22,800					58,861
Water security deposits									900		900
Insurance	200										200
Interest		7	10	5	5	4	4	5	7	130	177
Miscellaneous	30	60				6					96
Transfers in	13,612	1,000		825	825	7,000	504	1,152		2,000	26,918
Total Receipts	19,028	5,998	36,071	830	830	29,810	508	1,157	907	2,130	97,270
DISBURSEMENTS											
City workers contract payments	4,764		5,229			5,395					15,388
Supplies	890	64	389			94					1,437
Banking fees	181	10	142			60					392
Debt service			8,256			4,932					13,188
Water security deposit refunds									500		500
Contract services	1,569		362								1,931
Building repair and maintenance	1,282		1,553			2,418					5,253
Lab testing and chemicals	95					784					879
Advertisements	130										130
Program fees									650		650
Equipment rental and maintenance	20		1,453			5,430					6,903
Insurance	4,518		768			768					6,054
Utilities	1,635	2,735	2,193			4,236					10,799
Legal fees	198										198
Accounting fees	475										475
Membership fees	158		305			213					676
Roads, mowing, and maintenance	1,480	4,772	590			1,139					7,981
Transfers out	2,500	1,000	5,650			1,656			1,000	15,112	26,918
Miscellaneous	350		582						307		1,239
Total Disbursements	20,243	8,581	27,472	0	0	27,125	0	0	2,457	15,112	100,991
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,215)	(2,583)	8,599	830	830	2,685	508	1,157	(1,550)	(12,982)	(3,721)
CASH, JANUARY 1, 2015	1,615	6,010	1,779	1,855	1,855	3,807	1,936	2,089	3,609	24,379	48,933
CASH, DECEMBER 31, 2015	\$ 400	3,427	10,378	2,684	2,684	6,492	2,444	3,246	2,060	11,397	45,212

¹ The certificates of deposits are not identified by fund, since the village cannot determine which funds were used to purchase the certificates of deposits. Certificates of deposits redeemed and deposited into a fund are shown as transfers.



Office of Missouri State Auditor
Nicole Galloway, CPA

Office of Administration -
Division of Facilities Management,
Design and Construction



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Office of Administration- Division of Facilities Management, Design and Construction

Maintenance and Repair Funding	Available funding has been insufficient to cover state facility capital improvement maintenance and repair needs; and as a result, the state has accumulated a backlog of deferred maintenance of nearly \$600 million. In the last 6 years, due to Governor restrictions, the Facilities Maintenance Reserve Fund received transferred funds of approximately \$183 million less than amounts appropriated and most transfers were made late in the fiscal year. The Office of Administration, Division of Facilities Management, Design and Construction (FMDC) did not prepare and provide an annual capital improvement long-range plan to the Governor during fiscal years 2002 through 2013 as statutorily required, and the current plans prepared could provide additional useful information for policymakers.
Prevailing Wage and Contract Procedures	The FMDC did not comply with several requirements of Missouri's prevailing wage law and corresponding state regulations to ensure local prevailing wages were paid to workers employed by contractors and subcontractors. The FMDC did not properly solicit bids for one project or timely approve a contract change.
Work Orders	The FMDC does not fully utilize the computerized maintenance management system to track and monitor work orders for routine (non-capital improvement) maintenance and repair needs.
Electronic Data Security	The FMDC has not established adequate password and security controls to reduce the risk of unauthorized access to the construction project management system. This system maintains confidential information, including vendors' federal identification number or social security number and is used for project management and to authorize vendor payments.
Inspections	The FMDC did not perform periodic inspections of state facilities and leased facilities as required by state law, state regulation, and/or FMDC policy.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Office of Administration

Division of Facilities Management, Design and Construction

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Douglas E. Nelson, Commissioner
Office of Administration
and
Cathy Brown, Director
Division of Facilities Management, Design and Construction
Jefferson City, Missouri

We have audited certain operations of the Office of Administration, Division of Facilities Management, Design and Construction, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended June 30, 2015. The objectives of our audit were to:

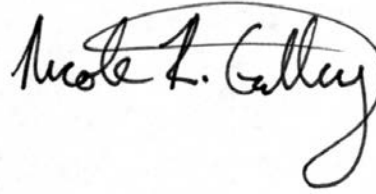
1. Evaluate the division's internal controls over significant management and financial functions.
2. Evaluate the division's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, contracts, project files, and other pertinent documents; interviewing various personnel of the division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Administration, Division of Facilities Management, Design and Construction.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Kim Spraggs, CPA
Audit Manager:	Robyn Vogt, M.Acct., CPA
In-Charge Auditor:	Brian Hammann, M.Acct., CPA
Audit Staff:	Devin Jackson
	Ashtin Withers

Office of Administration

Division of Facilities Management, Design and Construction

Management Advisory Report - State Auditor's Findings

1. Maintenance and Repair Funding

Background

The state has accumulated a backlog of capital improvement deferred maintenance of nearly \$600 million due to funding limitations. The accumulation of unaddressed maintenance and repair needs will increase the ultimate cost for the related projects.

The Office of Administration (OA), Division of Facilities Management, Design and Construction (FMDC) is responsible for the design, construction, renovation, and repair of state facilities along with reviewing all requests for capital improvement appropriations. The FMDC is required to annually prepare a statewide long-range plan detailing capital improvement needs for new construction/renovation and maintenance and repairs for the next 5 years. The plan excludes the Department of Transportation and state colleges and universities, and does not include project detail for the Department of Conservation. Most maintenance and repair projects included in the long-range plan are considered "deferred maintenance." Deferred maintenance includes maintenance and repairs that were not performed when they should have been due to lack of funding, and therefore were put off or postponed for a future period. The capital improvement long-range plans prepared during fiscal years 2016 and 2015, listed projects by priority type, which we summarized in the following table.

Capital Improvement Long-Range Plan		
	Fiscal Year 2016	Fiscal Year 2015
Period Covered	FY17 - FY22	FY16 - FY21
Date Governor Approved	February 2016	February 2015
Deferred Maintenance		
Priority 1	\$ 232,729,462	386,689,494
Priority 2	193,098,127	185,054,903
Priority 3	174,045,913	164,041,968
Total Deferred Maintenance	\$ 599,873,502	735,786,365
New Construction/Renovation	536,863,897	419,314,617
Total Capital Improvement Needs	\$ 1,136,737,399	1,155,100,982

The priority type (project severity rating) is used to help the OA, Division of Budget and Planning determine the need for appropriating funds to complete the project. The priority ratings have the following definitions.

- Priority 1 - Critical for the preservation of a system, facility or program, and should not be delayed: Deterioration is accelerating and delay will result in damage to other systems or components, and/or cause obstruction of facility programs.
- Priority 2 - Necessary for the preservation of a system, facility or program, but can only be delayed for a short time: Delay will not



Office of Administration
Division of Facilities Management, Design and Construction
Management Advisory Report - State Auditor's Findings

immediately result in a substantial impact to the function of the system, facility, or program.

- Priority 3 - Desirable for the improvement of a system, facility, or program: Delay will not influence current operation of the system, facility, or program.

There are three potential funding sources for state capital improvement maintenance and repair projects, subject to availability and specific terms and conditions (1) the Facilities Maintenance Reserve Fund (FMRF), (2) other state and federal funds, and (3) bond proceeds.

The FMRF was created in November 1996 as a primary source for funding capital improvement maintenance and repair projects at state facilities. Article IV, Section 27(b), Missouri Constitution, requires an annual transfer from the General Revenue Fund (GRF) to the FMRF equal to one percent of the net GRF revenue collections for the preceding year. This section allows the Governor to reduce or eliminate the amount of the transfer during any year, or following a year the Governor made withholdings. The General Assembly appropriates an annual transfer. At the end of each fiscal year, the OA, Division of Budget and Planning calculates the authorized transfer amount based on actual revenue activity for the fiscal year. The calculated amount is used in setting future year transfer appropriations. The Constitution provides that additional transfers to the FMRF may be appropriated in addition to the one percent transfer. FMDC personnel periodically monitor the FMRF cash balance, which can fluctuate significantly due to the timing of transfers in and payments on multi-year contracts. Nearly all of the cash balance is generally obligated to ongoing projects.

The General Assembly may also appropriate monies from other state and federal funds for the purpose of addressing new construction/renovation and/or maintenance and repair needs. Such appropriations are subject to available funds. Because previous bond authorizations had been almost fully utilized, during the 2014 legislative session, Section 8.665, RSMo, was amended to increase the amount of bonds that may be issued by \$600 million. Of the \$600 million, \$200 million is designated for higher education facilities and \$400 million is designated for repair or renovation of other existing state buildings or facilities. Bonds for repair and renovation of non-higher education facilities are currently scheduled to be paid from the FMRF and bonds for this purpose were first issued in fiscal year 2016.

1.1 Deferred maintenance liability

Available funding has been insufficient to cover state facility capital improvement maintenance and repair needs; and as a result, the state has a significant deferred maintenance liability. The FMDC did not prepare and provide an annual capital improvement long-range plan to the Governor during fiscal years 2002 through 2013 as statutorily required, and the



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current plans prepared could provide additional useful information for policymakers.

FMDC personnel indicated a plan had not been prepared from fiscal years 2002 through 2013 because the tracking systems used for projects had been insufficient to accumulate information for this plan and efforts began in 2010 to improve the process, which ultimately led to resumption in preparing the plan in fiscal year 2014. The fiscal year 2016 plan showed the state had \$426 million in projects prioritized as critical or necessary to the system affected.

FMRF funding

As summarized in the table below, Governor restrictions impacted the availability and timing of FMRF funding.

		Year Ended June 30,					
		2016	2015	2014*	2013	2012	2011
Calculated Transfers	\$	77,683,313	71,952,566	73,863,571	66,803,637	65,252,606	67,088,813
Appropriated Transfers		73,400,000	71,000,000	70,000,000	70,000,000	70,882,154	72,000,000
Funds Restricted**		73,030,152	71,000,000	65,000,000	70,000,000	56,274,540	57,375,605
Funds Released		0	(71,000,000)	(12,000,000)	(70,000,000)	(56,274,540)	(400,000)
Net Restriction		73,030,152	0	53,000,000	0	0	56,975,605
Unrestricted Appropriations/ Actual Transfers	\$	369,848	71,000,000	17,000,000	70,000,000	70,882,154	15,024,395
FMRF Expenditures***	\$	49,368,316	37,351,801	29,823,198	27,399,327	20,683,418	21,527,210

* The fiscal year 2014 restriction of \$53,000,000 was released in February 2014, but restricted again in June 2014.

** FMRF transfer appropriations were restricted in fiscal years 2011 to 2015. In fiscal year 2016, the FMRF transfer appropriation was restricted as a result of restrictions of other GRF appropriations.

*** Expenditures include payments for leasing as noted at section 1.2.

During the 6 years ended June 30, 2016, due to restrictions, the FMRF received transferred funds of approximately \$183 million less than amounts appropriated and most remaining appropriated transfers were not made until the end of the corresponding fiscal year. In fiscal years 2011 to 2015, FMRF transfer appropriations were restricted in each year. Restrictions eliminated most of the appropriated transfers in fiscal years 2014 and 2011. Restrictions in fiscal years 2015, 2013, and 2012 were released late in the corresponding fiscal year and the transfers subsequently occurred. Approximately \$70.4 million, \$39.9 million, and \$56.0 million was transferred during the last week of the fiscal year in fiscal years 2015, 2013, and 2012, respectively. In fiscal year 2016, the FMRF transfer appropriation was not restricted, but a transfer of only about \$370,000 occurred. OA, Division of Budget and Planning personnel indicated because fiscal year 2016 revenues were less than estimated and there were restrictions of other GRF appropriations, the FMRF transfer appropriation was considered to be



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restricted. Expenditures from the FMRF totaled \$49.4 million, \$37.4 million, and \$29.8 million in fiscal years 2016, 2015, and 2014, respectively.

When authorized transfers from the GRF to the FMRF are not made, monies are not available for capital improvement maintenance and repair needs. In addition, restrictions of transfer appropriations make it difficult to plan and address maintenance and repair needs in the current year, and may cause postponement of projects to future years. If the timing and availability of the FMRF transfer continues to be uncertain, the FMDC may need to use other funding sources to meet maintenance and repair needs.

Other funding

Expenditures from other state and federal funds, which may include new construction and renovation in addition to maintenance and repair, totaled \$37.4 million in fiscal year 2015 and \$12.9 million in fiscal year 2014.

For fiscal year 2016, approximately \$152.8 million was appropriated to be spent from bond proceeds for repair or renovation projects at state facilities. As of May 2016, \$84 million in bonds related to these projects had been issued and bonds to fund the remaining appropriated amount are expected to be issued in fiscal year 2017. While the \$152.8 million in bonds will allow the FMDC to fund more projects in the short term, the bond debt service payments, which are currently scheduled to be paid from the FMRF over a 10 to 20 year period, will decrease the availability of FMRF funding for future projects. Overall, bond issuances will address some immediate capital improvement maintenance and repair needs, but a significant deferred maintenance liability will still remain.

Impact on future costs

While the FMDC has made progress in using and budgeting available state funding and bond proceeds to decrease the deferred maintenance liability, a significant liability continues to exist. The accumulation of unaddressed maintenance and repair needs becomes more costly to resolve in future years. Research has indicated deferred maintenance costs increase exponentially over time due to the compounding nature of not addressing maintenance and repair needs. Minor repair work may evolve into major repairs or even replacement when not addressed promptly. A 2004 National Research Council study, as referenced in a July 2012 report issued by the United States Government Accountability Office,¹ estimated each \$1 in deferred maintenance results in a long-term capital liability of \$4 to \$5. Adequately funding maintenance and repair of state facilities during each budget cycle can significantly reduce future expenditures for maintenance and repair needs.

¹ *Federal Buildings Fund: Improved Transparency and Long-term Plan Needed to Clarify Capital Funding Priorities*, United States Government Accountability Office, page 20, <<http://www.gao.gov/assets/600/592377.pdf>>, accessed on June 27, 2016.



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Planning

Prior to resuming preparation of the annual capital improvement long-range plan in fiscal year 2014, the FMDC had not prepared and provided a long-range plan to the Governor since fiscal year 2001. As a result, the Governor and the General Assembly were not provided necessary information for making budgetary decisions regarding the state's long-term capital improvement needs, including deferred maintenance, during this period.

Our review of the recent plans identified information that may be useful for inclusion in future reports. The capital improvement long-range plan does not include information on the funding sources available for capital improvement needs. Including funding information, both currently available and projected, would be beneficial for plan users in making decisions to address the state's deferred maintenance liability. Relevant and beneficial information could include (1) a summary of available sources of funding, including the FMRF, other state and federal funds, and/or bond proceeds; (2) information regarding current obligations, including ongoing projects, bond repayments, future projects, and other payment obligations; and (3) future funding projections, including the impact of FMRF transfer restrictions in whole or in part. In addition, although the long-range plan reports individual projects by agency and priority, the plan does not include total costs by priority. While FMDC personnel indicated they routinely discuss funding and priority needs with Division of Budget and Planning personnel and the General Assembly, including such information in the long-range plan would ensure it is available to all necessary parties and decision makers.

Section 37.010.6, RSMo, requires the FMDC annually submit to the Governor a 5-year long-range plan for the repair, construction, and rehabilitation of all state properties. Without a long-range plan, and the inclusion of funding information and total costs by priority in the plan, the Governor and General Assembly cannot ensure sufficient funding is appropriated to cover identified capital improvement needs.

1.2 FMRF appropriations

The FMDC made lease payments from the FMRF during the 2 years ended June 30, 2015, that are not allowable expenditures from that fund.

The Operations unit manages and operates state facilities and allocates facility operational costs such as unit personnel, expense and equipment, and fuel and utilities to the various tenant agencies. The FMDC processes payments for these services, termed "lease payments," on behalf of the tenant agencies. The General Assembly has been appropriating FMRF funds for lease payments of the Department of Revenue (DOR), and during the 2 years ended June 30, 2015, FMDC personnel processed lease payments totaling \$989,000 from that fund on behalf of the DOR. Division personnel indicated they identified this issue in fiscal year 2010 and began to move these lease payments to the GRF as funds became available. The DOR lease payment appropriation moved to the GRF in fiscal year 2016.



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Article IV, Section 27(b)(4), Missouri Constitution states the General Assembly may appropriate monies from the FMRF to be used for the maintenance, repair, or renovation of state facilities. The Missouri Constitution does not provide for the FMRF to be used for the operation of state facilities. The General Assembly should evaluate the restrictions on FMRF expenditures before appropriating monies from the fund. Furthermore, by appropriating and making lease payments from the FMRF, less monies are available to fund capital improvement maintenance and repair needs.

Recommendations

The FMDC:

- 1.1 Continue to work with the General Assembly, the Governor, and the Division of Budget and Planning to ensure necessary capital improvement maintenance and repairs of state facilities are adequately funded in a timely manner. In addition, continue to prepare and provide a capital improvement long-range plan annually to the Governor as required by state law, and consider adding funding information and projections, and totals by priority, to the plan to provide information necessary for making decisions to address the state's maintenance and repair needs.
- 1.2 Continue to work with the General Assembly to ensure all appropriated expenditures from the FMRF comply with the Missouri Constitution.

Auditee's Response

- 1.1 *The FMDC agrees that necessary capital improvements and repairs need to be adequately funded in a timely manner. The FMDC will continue to work with the General Assembly, as well as the Governor and the OA/Division of Budget and Planning, providing the necessary information (including long-range plans) to assist them in making their decisions. However, the appropriation of funds, and the availability of funds after appropriation are beyond the FMDC's control. The FMDC will consider adding additional language to the long-range plans. However, due to the lack of control over funding streams it is unlikely that funding information can be included in an accurate and timely manner.*
- 1.2 *The FMDC agrees that all appropriated expenditures from the FMRF should comply with the Missouri Constitution. The FMDC will continue to work with the General Assembly as well as the Governor and the OA/Division of Budget and Planning, by providing the necessary information to assist them in making their decisions in accordance with the Missouri Constitution.*



2. Prevailing Wage and Contract Procedures

2.1 Prevailing wages

Contract provisions

The FMDC's prevailing wage and contract procedures need improvement. The Planning and Design unit is responsible for capital improvement projects, including new construction and maintenance and repair projects, at most state facilities. The unit was responsible for approximately 660 projects at various stages of completion during fiscal years 2015 and 2014.

The FMDC did not comply with several requirements of Missouri's prevailing wage law and corresponding state regulations to ensure local prevailing wages were paid to workers employed by contractors and subcontractors.

Project notifications

The FMDC does not incorporate language into the prevailing wage section of contracts requiring contractors and subcontractors to pay a penalty for any worker who is paid less than the prevailing rate, as required by Section 290.250.1, RSMo.

The FMDC does not send a prevailing wage project notification report to the Department of Labor and Industrial Relations (DLIR), Division of Labor Standards notifying the division of the start of a public works project and other basic information about the project, as required by Section 290.262.12, RSMo, and 8 CSR 30-3.010(3). FMDC personnel indicated this information had not been submitted to the DLIR for approximately 3 years due to personnel changes.

Monitoring

The FMDC has not established policies and procedures to adequately monitor contractors and subcontractors to ensure payment of prevailing wage rates.

Section 290.290.1, RSMo, requires contractors and subcontractors that engage in construction of public works projects to keep records indicating the names, occupations, hours worked, and wages paid every worker on the project. State regulation, 8 CSR 30-3.010(6) requires the contractors to submit certified copies of current payrolls to the public body and the public body to retain the payrolls for 1 year after final payrolls are received. Section 290.290.2, RSMo, requires the public body to obtain an affidavit of prevailing wage compliance from all contractors and subcontractors before making final payment on the project. State regulation, 8 CSR 30-3.010(7) requires public bodies to examine the payroll records of each contractor or subcontractor, of a frequency that may be necessary to assure compliance with the provisions of the law. The regulation provides the examination shall be made after the project has been substantially completed and prior to acceptance of the project, and that particular attention should be given to the correctness of classifications and any disproportionate employment of any workers.



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FMDC personnel do not review payroll records received from the contractors and subcontractors and indicated they were not aware of the requirements to monitor for compliance with prevailing wage requirements. Our review of six projects for compliance with the state's prevailing wage law and regulations noted the following:

- For one project, the FMDC did not obtain payroll records from a subcontractor.
- For one project, the FMDC did not obtain affidavits of compliance with the state's prevailing wage law from two subcontractors.
- For three projects, payroll records listed some employees with assigned occupational classifications not included in the DLIR wage orders listing the minimum prevailing hourly wage rates. Thus, a determination of compliance with prevailing wage requirements could not be made.
- For three projects, payroll records indicated some employees were paid less than the prevailing hourly wage rates. Records for two of the projects indicated the employees were apprentices. State regulation, 8 CSR 30-3.030, allows employees registered and participating in certain apprentice or trainee programs of the U.S. Department of Labor or the U.S. Department of Transportation to be paid less than the prevailing wage rates; however, the FMDC did not verify these employees met the applicable requirements.

Without policies and procedures to monitor prevailing wage documentation, the FMDC cannot ensure compliance with state law and regulations.

2.2 Contract procedures

The FMDC did not properly solicit bids for one project or timely approve a contract change.

As authorized by 1 CSR 30-3.025(11), the FMDC periodically bids and awards standing job order contracts (JOC) for frequently-procured services, such as maintenance, construction, repair, rehabilitation, renovation, or alteration of facilities if the work is of a recurring nature. Contracts can be awarded using JOCs for projects costing less than \$300,000 and should substantially include the pre-described and pre-priced tasks outlined in the JOC. The JOC rates are typically set at a percentage of the standard rates in a published construction unit price book. For projects over \$300,000 or projects needing services not provided in the JOC, the FMDC solicits proposals through the bidding process.

Our review of 25 projects ongoing during the 2 years ended June 30, 2015, for compliance with state bidding requirements and FMDC's contract



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monitoring, project management, and payment review and approval procedures noted the following:

- A project to rebuild a sewer system totaling \$259,000 was awarded using a JOC; however, approximately 85 percent of the work on the project was outside the scope of the JOC and was not bid. For those services included in the JOC, the contractor billed the FMDC at the JOC rates of 70 percent of the standard published rates. For the services not included in the JOC, the contractor billed 100 percent plus a 10 percent markup for overhead and profit.
- The FMDC did not approve a contract change until after the related work had been started. The FMDC used a contract change order to add a project to extract a time capsule from the State Capitol building. The time capsule was extracted on June 9, 2015, but the contract change was not approved by the responsible project manager until June 29, 2015.

Section 8.250.3, RSMo, requires the state to publically advertise bids for real property construction, renovation, and repair projects exceeding \$100,000, and award the bid to the lowest, responsive, responsible bidder. For projects between \$25,000 and \$100,000, the state is required to solicit bids from three contractors and award the bid to the lowest bidder. The FMDC should comply with state bidding requirements for all projects and utilize JOCs only when projects are substantially within the scope of a standing JOC. In addition, 1 CSR 30-3.040(3)(G), requires contract changes to be approved by the FMDC director or her designee before the proposed work shall proceed.

Recommendations

The FMDC:

- 2.1 Establish policies and procedures to ensure contracts include penalty provisions for paying less than the prevailing rate, project notification reports are remitted to the DLIR, and prevailing wage rates are paid on all applicable projects as required by state law and state regulations.
- 2.2 Ensure all projects are competitively bid in accordance with state law and contract changes are approved before the proposed work is performed as required by state regulation.

Auditee's Response

- 2.1 *The FMDC will incorporate language into its contracts clarifying the potential penalties that apply by virtue of Section 290.250.1, RSMo.*

The FMDC concurs and will submit prevailing wage project notification reports to the DLIR.



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The FMDC complies with all requirements of Section 290.290, RSMo, regarding prevailing wage documentation. FMDC personnel have been reminded of the importance of obtaining all payroll records and affidavits of compliance for each project without exception. State statutes, including Section 290.240, RSMo, make clear that the DLIR, not the FMDC, must "inquire diligently as to any violation" of the prevailing wage laws and "enforce generally the provisions of" the prevailing wage laws. State regulation, 8 CSR 30-3.010(7) calls for the FMDC to "make examinations . . . as may be necessary to assure compliance with the provisions of the [prevailing wage] law." Because the possible consequences for a contractor who fails to comply with prevailing wage requirements on an FMDC project are severe—including penalties, being held in breach of contract, and being barred from bidding on future FMDC projects—only a limited level of examination is "necessary to assure compliance." The FMDC will re-evaluate additional methods of examining prevailing wage compliance.

- 2.2 *The FMDC diligently strives to ensure all projects are appropriately bid as required by state law and regulations and will continue to evaluate JOC projects to ensure appropriate usage occurs. The FMDC will carefully monitor any future contract changes to ensure those receive written authorization prior to the execution of the work.*

3. Work Orders

The FMDC does not fully utilize the computerized maintenance management system (CMMS) to track and monitor work orders for routine (non-capital improvement) maintenance and repair needs. Formal procedures and training regarding the system have not been implemented; and as a result, system data is not always accurate, complete, and up to date.

The Operations unit is responsible for addressing the routine maintenance and repair needs of most state facilities. When a basic repair or preventive maintenance need arises (such as HVAC, boiler system, or electrical repairs; changing lightbulbs; or repairing a broken window), the tenant agency contacts the FMDC to establish a work order. The FMDC implemented the current CMMS system in 2007 as required by 1 CSR 30-4.030, to track work orders for routine maintenance and repairs. The system tracks various information, including the date the request was received and entered, the date the work was completed, the number of hours worked, and any non-labor costs. The approximately 400 FMDC maintenance workers are responsible for entering their assigned work orders into the CMMS. Once the work is complete, the maintenance worker's supervisor approves and closes the work order in the system.

The FMDC utilizes the CMMS to document work orders, but the system is not fully utilized for tracking and monitoring work orders. FMDC personnel



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indicated staff of only some facilities are utilizing CMMS data for monitoring purposes. In addition, the FMDC has not established procedures to ensure system information is accurate, complete, and up to date and the FMDC has not established written procedures or formal training regarding the CMMS. FMDC personnel indicated employee training and instruction regarding the system is limited to on-the-job training provided by immediate supervisors.

We analyzed CMMS data related to the approximately 533,500 work orders entered into the CMMS during the 2 years ended June 30, 2015. Our analysis identified approximately 53,200 (10 percent) work orders that were not entered into the system until after the work was completed. For these work orders, the system showed a completion date prior to the request date. The request date shown in the system is the date the work order was entered. We identified another approximately 11,500 (2 percent) work orders shown as complete, but the completion date was not recorded in the system.

In addition, we further reviewed 14 completed work orders and supporting documentation. We identified 4 work orders for which the number of hours spent was not entered into the CMMS and 2 work orders that were not closed until at least 16 months after the work was completed. Our analysis of CMMS data also showed, and FMDC personnel acknowledged, that there were backlogs of work orders at some facilities. However, because the system data is not accurate, complete, or up to date, we nor FMDC personnel could determine the extent of the backlogs.

FMDC personnel indicated they were aware of these issues and that there may be instances where work orders were never entered into the system. They indicated it is difficult to train and monitor the numerous employees responsible for entering the information in the system.

State regulations, 1 CSR 30-4.030(3)(B) and (6) require the FMDC to develop and implement a computerized maintenance management system to track all aspects of facility maintenance functions. The regulations require the system to include standardized procedures and measurements of preventive maintenance, work orders, supply, inventory, labor time, purchase orders, cost, maintenance, and work order history in the daily operations of each facility. To satisfy the intent of state regulations and monitor work order activities, the FMDC should fully utilize the CMMS to track and assign pending work orders, monitor productivity and ensure the effective allocation of resources, and identify and minimize maintenance and repair backlogs. To allow for full utilization of the system, procedures must first be developed to ensure system data is complete, accurate, and entered timely. Developing written procedures and formalized training regarding entering and reviewing data would help ensure the validity of system data.



Recommendation

The FMDC develop and implement procedures to fully utilize the CMMS to monitor maintenance and repair work order activities and ensure complete and accurate work order information is timely entered into the system.

Auditee's Response

The FMDC is in the process of improving procedures and training to fully utilize the ARCHIBUS CMMS. Formal training procedures for using ARCHIBUS are also being researched with implementation of a viable training protocol to follow.

4. Electronic Data Security

The FMDC has not established adequate password and security controls to reduce the risk of unauthorized access to the construction project management system used by the Planning and Design unit. This system maintains confidential information, including vendors' federal identification number or social security number and is used for project management and to authorize vendor payments.

4.1 Passwords

Users of the construction project management system are not required to change passwords periodically to help ensure passwords remain known only to the assigned user and to reduce the risk of a compromised password. In addition, passwords are not kept confidential as 3 accounting section employees have access to the password information for all users.

Passwords are required to authenticate access to the system. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed and are known by employees within the accounting section, there is less assurance passwords are effectively limiting access to the system and data to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of systems and data.

4.2 Security controls

Security controls are not in place to lock the construction project management system after a specified number of incorrect logon attempts. Logon attempt controls lock the capability to access a computer or system after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

Recommendations

The FMDC:

- 4.1 Require unique passwords that are confidential and periodically changed to prevent unauthorized access to the construction project management system.



Auditee's Response

4.2 Require security controls be established to lock the construction project management system after a specified number of incorrect logon attempts.

4.1 *The FMDC agrees with the need for data system security. Current systems are in need of updates. The FMDC will immediately work to upgrade these systems, including upgrades to password protocols. In addition, all FMDC employees take ongoing OA/Information Technology Services Division cyber security training.*

4.2 *The FMDC will work to upgrade the system to include locking the system after a specified number of incorrect logon attempts.*

5. Inspections

The FMDC does not perform periodic inspections of state and leased facilities as required. The FMDC operates, maintains, and manages state-owned buildings and other structures throughout the state and also oversees leased property for agencies statewide.

5.1 State facilities

The FMDC does not perform periodic inspections of all state facilities as required by state law and state regulation.

The FMDC is required to perform two types of inspections of all state facilities (1) annual inspections to identify and review capital improvement needs included in the capital improvement long-range plan and (2) inspections performed at least once every 4 years to identify routine maintenance and repair needs.

FMDC personnel indicated the facility assessment group responsible for performing periodic inspections was eliminated in 2007 due to a reduction in staff. FMDC personnel indicated capital improvement inspections are currently performed only if a specific need arises and the FMDC relies on state agency personnel or Operations unit personnel assigned to the state facilities to identify and communicate capital improvement or maintenance and repair needs to the FMDC. In response to our audit recommendations, FMDC personnel indicated they have increased the number of managers responsible for performing routine maintenance and repair inspections and have placed a higher priority on completing these inspections.

We requested documentation of the most recent inspection for three state facilities. Capital improvement inspections were last performed for these three facilities in April and June 2006 and October 2012. Routine maintenance inspections had not been performed for these facilities since 2007. The FMDC has scheduled maintenance inspections to occur at these facilities in 2016.



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Section 8.360, RSMo, requires the FMDC to inspect all facilities and report annually to the General Assembly on their condition, maintenance, repair, and utilization. In addition, 1 CSR 30-4.030(3)(C), requires regular periodic condition assessment inspections of all facility elements and systems no less than every 4 years. Periodic inspections are necessary to ensure facilities are being adequately maintained and to identify capital improvement and routine maintenance and repair needs.

5.2 Leased facilities

The FMDC does not always perform annual inspections of facilities leased from non-state entities, as required by FMDC policy.

The FMDC is responsible for procuring and managing contracts for facilities leased from non-state entities for most state agencies. Most leases are for a 1-year period, and have options for annual renewal for several years. The FMDC managed 576 leases of real property as of June 30, 2015, with annual lease payments totaling approximately \$31 million.

We reviewed five fiscal year 2015 leases of real property with annual lease payments totaling approximately \$1.8 million, four of which had been in effect long enough to require an inspection. Our review found the leases for all four of these properties had been renewed annually for several years, but annual inspections had not occurred. One of these properties had not been inspected since fiscal year 2011, another had not been inspected since fiscal year 2012, and a third was last inspected in fiscal year 2014. One had received an inspection in fiscal year 2015, but not in fiscal year 2014. FMDC personnel indicated an inadequate number of leased facility inspectors has resulted in all leased properties not being annually inspected.

The FMDC's Policy Governing the Acquisition and Management of Leased Property requires annual inspections of a leased property to provide information on a lessor's performance to be used when deciding to extend the lease or award a new lease. Periodic inspections of leased property help determine the physical condition of the property and can be used to ensure lessors are maintaining the property as required by the lease contract.

Recommendation

The FMDC perform periodic inspections of all state facilities as required by state law and state regulation, and perform annual inspections of all leased property as required by policy.

Auditee's Response

The FMDC has attempted to appropriately inspect leased facilities even during challenging times. We have reinforced the assignment of staff to ensure this effort is occurring. In addition, the tenants in leased space are well-versed in the process of notifying FMDC so that issues can be addressed through the lessor as they arise. The FMDC concurs with the recommendation to perform periodic inspections of all state leased facilities and will increase the number of inspections at leased facilities.



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In regard to state facilities, the 4-year inspections to identify routine maintenance and repair needs have been scheduled and are now occurring. The Operations unit is assisting the Capital Improvement Planning unit within the Planning and Design unit, to ensure that the annual facility inspections are completed and appropriately documented. Maintenance staff is available at all owned locations to ensure operations are continually ongoing. In addition, the FMDC provides a capital improvement report annually to re-prioritize facility needs.

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Organization and Statistical Information

The Division of Facilities Management, Design and Construction (FMDC) is a division of the Office of Administration (OA). The FMDC was created in 2005 by Executive Order 05-08, that consolidated the Division of Facilities Management and the Division of Design and Construction into one division.

The FMDC operates, maintains, and manages state-owned buildings and other structures throughout the state; oversees leased property for agencies statewide; and is responsible for the design, construction, renovation, and repair of state facilities along with reviewing all requests for capital improvement appropriations. The FMDC is organized into 4 major units.

The Operations unit maintains and operates state facilities across the state with the exception of the Department of Conservation, the Department of Transportation, and state colleges and universities. The responsibility for operating and maintaining correctional facilities was transferred from the FMDC to the Department of Corrections during fiscal year 2014 and the related appropriation authority was transferred in fiscal year 2015. At June 30, 2015, the unit was responsible for 51 state-owned facilities containing approximately 3.8 million square feet of usable office space and 117 institutional facilities containing approximately 8 million square feet of space.

The Real Estate Services unit is responsible for the procurement and management of leases within state-owned and leased space for state agencies throughout the state with the exception of the General Assembly, Elected Officials, the Judiciary, the Department of Conservation, the Department of Transportation, and state colleges and universities. The unit is also responsible for the coordination of other real estate transactions on behalf of the state including the sale of state-owned property, purchase of property, and granting easements. In addition, the unit oversees budgeting and payment processing for all state-owned, institutional, and leased facilities. As of June 30, 2015, there were 576 leases containing approximately 3.2 million square feet of space.

The Planning and Design unit is responsible for the oversight of maintenance and repair, as well as new construction projects at state facilities (excluding projects at the Department of Conservation, the Department of Transportation, and state colleges and universities). The unit develops, contracts, and reviews plans and specifications for construction, selects architectural/engineer consultants, oversees construction through project management and construction administration, and processes all project payments. The unit is also responsible for capital improvement planning and budgeting, which includes maintaining information on the condition of all state facilities; preparing a long-range plan for the repair,



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construction, and rehabilitation of all state facilities; and overseeing expenditures of capital improvement appropriations statewide.

The Energy unit is responsible for monitoring energy consumption and developing and implementing programs to reduce energy consumption in state-owned buildings.

The FMDC is responsible for payment processing for all capital improvement projects and leases. Monies for these expenditures are generally appropriated directly to the OA on behalf of various state agencies and the FMDC processes the payments on behalf of the agencies. The FMDC processed capital improvement and leasing expenditures for other state agencies totaling approximately \$154 million during the year ended June 30, 2015, and \$169 million during the year ended June 30, 2014 (see Appendix D).

Cathy Brown was appointed Division Director effective October 2010. The FMDC employed 472 full-time employees and 10 part-time employees as of June 30, 2015.

Appendix A-1

Office of Administration
Division of Facilities Management, Design and Construction
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
Year Ended June 30, 2015

	Facilities Maintenance Reserve Fund	Fulton State Hospital Series A 2014 Bond Proceeds Fund	State Facility Maintenance and Operation Fund*	Rebuild Damaged Infrastructure Fund	Total (Memorandum Only)
RECEIPTS					
Bond sales proceeds	\$ 0	95,001,687	0	0	95,001,687
Interagency:					
Facility leases	0	0	61,475,121	0	61,475,121
Reimbursements/recovery costs	0	0	4,412,948	0	4,412,948
Sales	0	0	235,767	0	235,767
Parking rentals/leases	0	0	64,269	0	64,269
Refunds/rebates	155,362	0	25,342	0	180,704
Donations	0	0	20,005	0	20,005
Interest	439,613	194,474	0	15,863	649,950
Miscellaneous	0	0	16,117	0	16,117
Total Receipts	<u>594,975</u>	<u>95,196,161</u>	<u>66,249,569</u>	<u>15,863</u>	<u>162,056,568</u>
DISBURSEMENTS					
Personal services	0	0	17,888,035	0	17,888,035
Employee fringe benefits	0	0	9,918,872	0	9,918,872
Expense and equipment	0	0	1,348,804	0	1,348,804
Supplies	0	0	3,256,541	0	3,256,541
Fuel and utilities	0	0	20,905,141	0	20,905,141
Services:					
Professional	4,601,861	170,294	1,095,489	0	5,867,644
Housekeeping and janitorial	0	0	3,428,570	0	3,428,570
Maintenance and repair	0	0	2,762,501	0	2,762,501
Property and improvements	6,836,097	1,370,669	580,181	5,556,337	14,343,284
Debt service	5,535,811	0	4,203,684	0	9,739,495
Leases and rentals	0	0	720,636	0	720,636
Other	0	0	288,863	0	288,863
Total Disbursements	<u>16,973,769</u>	<u>1,540,963</u>	<u>66,397,317</u>	<u>5,556,337</u>	<u>90,468,386</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(16,378,794)</u>	<u>93,655,198</u>	<u>(147,748)</u>	<u>(5,540,474)</u>	<u>71,588,182</u>
OTHER FINANCING SOURCES (USES)					
Transfers from:					
State Facility Maintenance and Operation Fund	48,863	0	0	0	48,863
General Revenue Fund	71,000,000	0	0	0	71,000,000
Proceeds of Surplus Property Fund	0	0	4,564	0	4,564
Insurance Dedicated Fund	0	0	0	10,000,000	10,000,000
Transfers to:					
Facilities Maintenance Reserve Fund	0	0	(48,863)	0	(48,863)
Funding sources received by other agencies	43,465	0	0	0	43,465
Appropriations exercised by other state agencies	(20,378,032)	0	0	0	(20,378,032)
Total Other Financing Sources (Uses)	<u>50,714,296</u>	<u>0</u>	<u>(44,299)</u>	<u>10,000,000</u>	<u>60,669,997</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	<u>34,335,502</u>	<u>93,655,198</u>	<u>(192,047)</u>	<u>4,459,526</u>	<u>132,258,179</u>
CASH AND INVESTMENTS, JULY 1, 2014	99,968,184	0	5,072,738	4,015,291	109,056,213
CASH AND INVESTMENTS, JUNE 30, 2015	<u>\$ 134,303,686</u>	<u>93,655,198</u>	<u>4,880,691</u>	<u>8,474,817</u>	<u>241,314,392</u>

* Effective fiscal year 2015, responsibility and appropriation authority for operating and maintaining correctional facilities was transferred from the Division of Facilities Management, Design and Construction to the Department of Corrections.

Appendix A-2

Office of Administration
Division of Facilities Management, Design and Construction
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
Year Ended June 30, 2014

	Facilities Maintenance Reserve Fund	State Facility Maintenance and Operation Fund	Rebuild Damaged Infrastructure Fund	Total (Memorandum Only)
RECEIPTS				
Interagency:				
Facility leases	\$ 0	106,908,536	0	106,908,536
Reimbursements/recovery costs	79,265	3,719,969	0	3,799,234
Sales	0	257,169	0	257,169
Parking rentals/leases	0	63,552	0	63,552
Refunds/rebates	4,300	93,280	0	97,580
Donations	0	26,625	4,000,000	4,026,625
Interest	512,366	0	15,291	527,657
Miscellaneous	0	18,050	0	18,050
Total Receipts	<u>595,931</u>	<u>111,087,181</u>	<u>4,015,291</u>	<u>115,698,403</u>
DISBURSEMENTS				
Personal services	0	25,647,841	0	25,647,841
Employee fringe benefits	0	12,920,757	0	12,920,757
Expense and equipment	0	1,766,199	0	1,766,199
Supplies	0	7,527,485	0	7,527,485
Fuel and utilities	0	50,126,950	0	50,126,950
Services:				
Professional	2,438,025	1,249,112	0	3,687,137
Housekeeping and janitorial	0	3,618,094	0	3,618,094
Maintenance and repair	0	4,077,030	0	4,077,030
Property and improvements	7,343,122	730,844	0	8,073,966
Debt service	5,535,811	2,414,577	0	7,950,388
Leases and rentals	0	726,555	0	726,555
Other	0	382,649	0	382,649
Total Disbursements	<u>15,316,958</u>	<u>111,188,093</u>	<u>0</u>	<u>126,505,051</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(14,721,027)</u>	<u>(100,912)</u>	<u>4,015,291</u>	<u>(10,806,648)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from:				
General Revenue Fund	17,000,000	0	0	17,000,000
Proceeds of Surplus Property Fund	0	3,337	0	3,337
Appropriations exercised by other state agencies	(14,506,240)	0	0	(14,506,240)
Total Other Financing Sources (Uses)	<u>2,493,760</u>	<u>3,337</u>	<u>0</u>	<u>2,497,097</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	<u>(12,227,267)</u>	<u>(97,575)</u>	<u>4,015,291</u>	<u>(8,309,551)</u>
CASH AND INVESTMENTS, JULY 1, 2013	112,195,451	5,170,313	0	117,365,764
CASH AND INVESTMENTS, JUNE 30, 2014	<u>\$ 99,968,184</u>	<u>5,072,738</u>	<u>4,015,291</u>	<u>109,056,213</u>

Appendix B

Office of Administration
Division of Facilities Management, Design and Construction
Comparative Statement of Appropriations and Expenditures

	2015			2014		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Office of Administration real property leases*	\$ 542,205	518,267	23,938	466,052	388,493	77,559
Office of Administration state-owned facilities*	2,414,035	2,328,006	86,029	2,388,444	2,388,444	0
Stonework, window repair, other structural repair, and renovations for the State Capitol Complex	48,794,123	1,487,594	47,306,529	50,000,000	205,877	49,794,123 **
Total General Revenue Fund	51,750,363	4,333,867	47,416,496	52,854,496	2,982,814	49,871,682
FACILITIES MAINTENANCE RESERVE FUND						
Debt service for guaranteed energy cost savings contracts	5,535,815	5,535,811	4	5,535,815	5,535,811	4
Maintenance, repairs, replacements, unprogrammed requirements, emergency requirements, operational maintenance and repair, and improvements at facilities statewide	35,281,052	8,121,767	27,159,285	33,517,058	7,557,120	25,959,938 **
Supreme Court-HVAC projects	2,750	2,750	0	1,599,756	1,597,006	2,750 **
Unprogrammed maintenance and repair requirements at facilities statewide	23,082	12,746	10,336	499,816	477,753	22,063 **
Maintenance, repairs, replacements, and improvements at facilities statewide	6,470,732	797,181	5,673,551	26,399,892	0	26,399,892 **
Emergency and unprogrammed requirements at facilities statewide	1,887,242	33,109	1,854,133	6,150,000	0	6,150,000 **
Statewide assessment, abatement, removal, remediation and management of hazardous materials and pollutants at state facilities	1,760,392	1,113,365	647,027	2,698,071	0	2,698,071 **
Statewide roofing management system at state facilities	7,887,373	142,534	7,744,839	10,074,339	83,286	9,991,053 **
Statewide electrical improvements at state facilities	8,409,955	0	8,409,955	9,941,518	0	9,941,518 **
Statewide elevator improvements at state facilities	535,430	535,429	1	3,129,040	0	3,129,040 **
Statewide fire safety improvements at state facilities	9,439,806	40,283	9,399,523	8,308,771	41,848	8,266,923 **
Statewide heating, ventilation, and air conditioning improvements at state facilities	7,822,895	593,788	7,229,107	11,769,175	1,536	11,767,639 **
Statewide plumbing improvements at state facilities	1,640,650	0	1,640,650	3,275,189	0	3,275,189 **
Security improvements at facilities statewide	20,440	0	20,440	2,534,564	0	2,534,564 **
Emergency maintenance and repair requirements at facilities statewide	1,827,557	0	1,827,557	2,000,000	0	2,000,000 **
Appraisals and surveys	577,402	45,006	532,396	600,000	22,598	577,402 **
Hazmat Remediation	446,744	0	446,744	461,468	0	461,468 **
Total Facilities Maintenance Reserve Fund	89,569,317	16,973,769	72,595,548	128,494,472	15,316,958	113,177,514
FULTON STATE HOSPITAL SERIES A 2014 BOND PROCEEDS FUND						
Completion of design and construction to replace Fulton State Hospital	1,540,964	1,540,963	1	0	0	0
Total Fulton State Hospital Series A 2014 Bond Proceeds Fund	1,540,964	1,540,963	1	0	0	0
STATE FACILITY MAINTENANCE AND OPERATION FUND						
Office of Administration real property leases	243,523	214,930	28,593	243,706	219,617	24,089
Facilities Management, Design and Construction Division - expense and equipment	35,094,767	34,887,406	207,361	44,979,614	44,944,155	35,459
Facilities Management, Design and Construction Division - personal service	18,033,426	17,812,624	220,802	20,160,314	20,156,568	3,746
Modifications, replacement, repair costs, and other support services at state-operated facilities or institutions when recovery is obtained from a third party	2,000,000	311,408	1,688,592	2,000,000	365,865	1,634,135
Donated funds to support renovations and operations of the Governor's Mansion	60,000	1,546	58,454	60,000	14,751	45,249
Information Technology Services Division - personal service	91,885	75,411	16,474	91,059	82,502	8,557
Information Technology Services Division - expense and equipment	288,084	235,507	52,577	270,084	217,354	52,730
Unemployment benefits	66,377	12,241	54,136	65,452	7,442	58,010
Payment of the state's lease/purchase debt requirements	2,434,339	2,434,328	11	2,593,241	2,414,577	178,664
Office of Administration state-owned facilities	496,566	493,044	3,522	485,804	485,804	0

Appendix B

Office of Administration
Division of Facilities Management, Design and Construction
Comparative Statement of Appropriations and Expenditures

	2015			2014		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
Facilities Management, Design and Construction Division - correctional facilities - personal service ***	0	0	0	5,416,537	5,408,771	7,766
Facilities Management, Design and Construction Division - correctional facilities - expense and equipment ***	0	0	0	23,951,492	23,949,930	1,562
Total State Facility Maintenance and Operation Fund	58,808,967	56,478,445	2,330,522	100,317,303	98,267,336	2,049,967
OFFICE OF ADMINISTRATION REVOLVING ADMINISTRATIVE TRUST FUND						
Payment of costs associated with state-owned space occupied by non-state agencies	378,314	261,053	117,261	378,315	257,338	120,977
Payment of costs associated with institutional space occupied by non-state agencies	529,826	519,124	10,702	749,590	442,117	307,473
Payment of costs associated with state leased space occupied by non-state agencies*	591,860	3,518	588,342	372,095	47,309	324,786
Disbursement of recovered costs related to capital improvements	200,000	109,590	90,410	200,000	0	200,000
Total Office of Administration Revolving Administrative Trust Fund	1,700,000	893,285	806,715	1,700,000	746,764	953,236
REBUILD DAMAGED INFRASTRUCTURE FUND						
Provide funding for the reconstruction, replacement, or renovation of, or repair to, any infrastructure damaged by a presidentially declared natural disaster in any home rule city with more than forty-seven thousand but fewer than fifty-two thousand inhabitants and partially located in any county of the first classification with more than one hundred fifteen thousand inhabitants	5,556,337	5,556,337	0	14,000,000	0	14,000,000
Total Rebuild Damaged Infrastructure Fund	5,556,337	5,556,337	0	14,000,000	0	14,000,000
Total All Funds	\$ 208,925,948	85,776,666	123,149,282	297,366,271	117,313,872	180,052,399

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2015	2014
General Revenue Fund		
Office of Administration real property leases	\$ 19,109	13,982
Office of Administration state-owned facilities	69,578	0
Total General Revenue Fund	\$ 88,687	13,982

* Office of Administration divisions other than the Division of Facilities Management, Design and Construction also spend from these appropriations. Other division expenditures totaled \$2,224,802 in fiscal year 2015, and \$2,458,455 in fiscal year 2014.

** Biennial appropriations set up in fiscal year 2014 are re-appropriations to fiscal year 2015. After the fiscal year-end processing has been completed, the unexpended fiscal year 2014 appropriation balance for a biennial appropriation is established in fiscal year 2015. Therefore, there is no lapsed balance for a biennial appropriation at the end of fiscal year 2014.

*** Effective fiscal year 2015, responsibility and appropriation authority for operating and maintaining correctional facilities was transferred from the Division of Facilities Management, Design and Construction to the Department of Corrections.

Appendix C

Office of Administration

Division of Facilities Management, Design and Construction

Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2015*	2014	2013	2012	2011
Salaries and wages	\$ 17,888,035	25,647,841	25,426,439	25,264,275	23,221,905
Travel, in-state	164,322	115,736	124,454	119,744	96,747
Travel, out-of-state	4,419	1,392	755	191	0
Fuel and utilities	20,939,451	50,143,483	47,189,230	45,983,313	47,575,025
Supplies	3,256,541	7,527,485	8,164,504	7,859,535	6,881,091
Professional development	22,455	40,894	30,083	29,472	24,509
Communication services and supplies	250,815	323,089	263,858	263,903	243,038
Services:					
Professional	6,001,524	3,764,156	2,604,614	2,830,741	3,166,255
Housekeeping and janitorial	3,433,192	3,619,744	3,418,750	3,068,207	3,365,547
Maintenance and repair	2,766,996	4,079,328	4,043,205	3,800,882	4,130,584
Equipment:					
Computer	24,262	41,578	87,866	11,404	63,665
Motorized	248,329	139,895	197,680	176,073	192,923
Office	13,624	22,240	34,853	15,325	5,718
Other	620,577	1,081,374	1,017,217	989,339	893,583
Property and improvements	15,901,885	8,203,077	8,736,019	4,301,494	13,766,429
Debt service	9,739,495	7,950,388	9,902,666	10,735,457	8,401,408
Building lease payments	1,164,941	984,501	861,573	789,714	1,063,770
Equipment rental and leases	41,962	51,091	69,532	61,427	46,816
Miscellaneous expenses	55,083	61,570	99,338	114,581	82,250
Rebillable expenses	1,001,715	1,049,113	969,845	871,614	842,769
Program distributions	12,241	7,442	19,074	1,487,594	48,201
Total Expenditures	\$ <u>83,551,864</u>	<u>114,855,417</u>	<u>113,261,555</u>	<u>108,774,285</u>	<u>114,112,233</u>

* Effective fiscal year 2015, responsibility and appropriation authority for operating and maintaining correctional facilities was transferred from the Division of Facilities Management, Design and Construction to the Department of Corrections.

Appendix D

Office of Administration

Division of Facilities Management, Design and Construction

Comparative Statement of Capital Improvement and Leasing Expenditures Processed for Other Agencies*

	Year Ended June 30,	
	2015	2014
Department of Corrections	\$ 13,937,408	58,095,340
Department of Mental Health	35,883,832	26,733,055
Department of Social Services	25,572,005	25,470,524
Department of Public Safety	23,001,902	13,962,670
Department of Natural Resources	19,266,029	9,124,208
Department of Elementary and Secondary Education	8,994,293	9,281,344
Department of Health and Senior Services	5,294,989	5,201,494
Department of Economic Development	3,470,877	3,414,803
Department of Revenue	2,936,246	3,012,615
Department of Agriculture	2,025,400	3,194,950
Department of Labor and Industrial Relations	2,069,781	1,942,283
Department of Insurance, Financial Institutions and Professional Registration	920,112	952,027
Department of Higher Education	108,163	121,183
Attorney General	4,296,457	1,532,275
Secretary of State	1,529,340	1,658,845
Governor	365,223	343,540
State Treasurer	181,280	195,106
State Auditor	181,362	192,499
Lieutenant Governor	30,500	32,316
Legislature	1,735,846	1,729,145
Judiciary	2,452,457	2,481,062
Total Expenditures	\$ <u>154,253,502</u>	<u>168,671,284</u>
Expenditures by Type:		
Capital Improvement (includes new construction/renovation, maintenance/repair \$	57,381,369	26,851,846
Leasing	96,872,133	141,819,438
Total Expenditures	\$ <u>154,253,502</u>	<u>168,671,284</u>

* This appendix presents capital improvement and leasing expenditures processed by the Division of Facilities Management, Design and Construction on behalf of other agencies using those agencies' appropriations.

Appendix E

Office of Administration

Division of Facilities Management, Design and Construction

Comparative Statement of Capital Improvement and Leasing Expenditures Processed for Other Agencies by Fund*

	Year Ended June 30,	
	2015	2014
General Revenue Fund	\$ 85,132,039	109,069,429
Facilities Maintenance Reserve Fund	20,378,032	14,506,240
State Highways and Transportation Department Fund	11,798,750	6,114,915
Department of Social Services Federal and Other Sources Fund	7,213,286	7,173,965
Veterans' Commission Capital Improvement Trust Fund	4,846,007	3,962,051
Department of Health and Senior Services - Federal and Other Fund	2,977,493	2,929,775
Vocational Rehabilitation Fund	2,732,130	2,467,879
Merchandising Practices Revolving Fund	2,704,135	103,770
Job Development and Training Fund	1,614,713	1,727,194
Department of Natural Resources - Federal and Other Fund	1,531,252	2,176,267
Natural Resources Cost Allocation Fund	1,524,180	1,603,598
Public Service Commission Fund	998,877	982,816
Missouri Veterans Commission - Federal Fund	988,783	638,439
Unemployment Compensation Administration Fund	977,822	944,287
Workers' Compensation Fund	709,778	692,952
State Park Earnings Fund	636,052	2,555,188
Gaming Commission Fund	559,813	500,572
Attorney General - Federal and Other Fund	559,584	300,215
State Fair Fee Fund	497,177	522,176
Lottery Enterprise Fund	489,143	459,892
Adjutant General - Federal Fund	412,525	407,289
Department of Mental Health - Federal Fund	387,488	222,373
Elementary and Secondary Education - Federal and Other Fund	383,983	503,673
Agriculture Protection Fund	348,640	327,406
Special Employment Security Fund	345,484	253,873
Insurance Dedicated Fund	331,130	402,670
Department of Agriculture - Federal and Other Fund	329,747	225,659
Department of Labor and Industrial Relations Administrative Fund	239,552	262,140
Working Capital Revolving Fund	157,554	1,587,325
Parks Sales Tax Fund	0	2,193,932
All other funds**	2,448,353	2,853,324
Total Expenditures	\$ 154,253,502	168,671,284
Expenditures by Type:		
Capital Improvement (includes new construction/renovation, maintenance/repair \$	57,381,369	26,851,846
Leasing	96,872,133	141,819,438
Total Expenditures	\$ 154,253,502	168,671,284

* This appendix presents capital improvement and leasing expenditures processed by the Division of Facilities Management, Design and Construction on behalf of other agencies using those agencies' appropriations.

** Funds with expenditures less than \$250,000 in each year were combined, and consisted of 57 funds in fiscal year 2015 and 71 funds in fiscal year 2014.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Polk County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Polk County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, LLC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

August 2016
Report No. 2016-066

ANNUAL FINANCIAL REPORT

POLK COUNTY, MISSOURI

For the Years Ended
December 31, 2015 and 2014

POLK COUNTY, MISSOURI
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INTRODUCTORY SECTION

POLK COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Shannon Hancock

Associate Commissioner North District – Kyle Legan

Associate Commissioner South District – Rex Austin

Other Elected Officials

Assessor – Carolyn Page

Circuit Clerk – Tiffany Phillips

Collector – Debbi McGinnis

Coroner – Roy Harms

County Clerk – Melinda Robertson

Prosecuting Attorney – Ken Ashlock

Public Administrator – Barbara Davolt

Recorder – Carol Poindexter

Sheriff – Kay Williams

Treasurer – Vonna Jones

FINANCIAL SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Polk County, Missouri

We have audited the accompanying financial statements of Polk County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as identified in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Polk County, Missouri on the basis of the financial reporting provisions prescribed or permitted by Missouri Law, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Polk County, Missouri, as of December 31, 2015 and 2014, or changes in financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of each fund of Polk County, Missouri, as of December 31, 2015 and 2014, and their respective cash receipts and disbursements, and budgetary results for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated August 4, 2016, on our consideration of Polk County, Missouri’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
August 4, 2016

POLK COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2014 AND 2015

Fund	Cash and Investments			Cash and Investments			Cash and Investments	
	January 1, 2014	Receipts 2014	Disbursements 2014	December 31, 2014	Receipts 2015	Disbursements 2015	December 31, 2015	
General Revenue	\$ 1,153,169	\$ 1,652,855	\$ 1,431,972	\$ 1,374,052	\$ 1,610,786	\$ 1,410,624	\$ 1,574,214	
Special Road & Bridge	46,568	2,537,994	2,584,562	-	2,921,545	2,921,545	-	
Assessment	164,414	305,457	258,565	211,306	316,024	249,509	277,821	
Road and Bridge Capital Improvement	266,469	1,452,735	1,180,841	538,363	1,543,058	1,486,606	594,815	
Collector's Tax Maintenance	5,184	41,167	28,534	17,817	31,240	36,563	12,494	
Sheriff's Special Operations	2,812	-	-	2,812	-	-	2,812	
Election Services	39,132	12,672	8,264	43,540	9,403	3,941	49,002	
Inmate Security	19,654	20,301	1,111	38,844	18,027	991	55,880	
Law Enforcement Restitution	89,503	65,110	26,955	127,658	66,106	58,007	135,757	
Law Enforcement Training	15,668	9,541	3,414	21,795	9,070	2,864	28,001	
Deputy Sheriff Salary	874	57,000	56,114	1,760	50,809	50,992	1,577	
Senate Bill 40	214,133	717,782	773,217	158,698	697,441	645,664	210,475	
Prosecuting Attorney Delinquent Tax	2,689	-	608	2,081	-	-	2,081	
Prosecuting Attorney Training	344	1,670	1,399	615	1,522	1,556	581	
Recorder's Users Fee	11,617	18,378	11,824	18,171	19,746	10,188	27,729	
Regional Child Support	4,465	186,947	160,876	30,536	169,616	165,187	34,965	
Senior Citizens Services	58,529	144,678	109,627	93,580	145,138	129,165	109,553	
Sheriff Civil Fees	54,308	29,619	35,115	48,812	25,441	32,433	41,820	
Special Trust	-	8,946	8,946	-	8,853	8,273	580	
Veterans Memorial	3,275	8	-	3,283	8	-	3,291	
County Revenue Savings	577,247	187,241	-	764,488	3,646	-	768,134	
Sheriff's Revolving	42,801	25,869	30,000	38,670	43,125	30,000	51,795	
Law Enforcement Sales Tax	23,047	1,803,829	1,728,402	98,474	1,910,381	1,830,938	177,917	
Prosecuting Attorney Bad Check	-	5,021	5,021	-	6,391	5,011	1,380	
Total	<u>\$ 2,795,902</u>	<u>\$ 9,284,820</u>	<u>\$ 8,445,367</u>	<u>\$ 3,635,355</u>	<u>\$ 9,607,376</u>	<u>\$ 9,080,057</u>	<u>\$ 4,162,674</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND Year Ended December 31,				
	2014		2015	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 900,400	\$ 950,985	\$ 902,000	\$ 955,304
Sales taxes	-	-	-	-
Intergovernmental	120,423	110,091	123,372	115,007
Charges for services	441,020	470,780	457,811	454,027
Interest	10,500	8,534	9,000	8,704
Other	112,970	105,457	54,100	70,732
Transfers in	9,960	7,008	8,660	7,012
Total Receipts	<u>\$ 1,595,273</u>	<u>\$ 1,652,855</u>	<u>\$ 1,554,943</u>	<u>\$ 1,610,786</u>
DISBURSEMENTS				
County Commission	\$ 107,590	\$ 105,445	\$ 106,690	\$ 99,437
County Clerk	118,895	106,314	91,475	78,915
Elections	222,556	182,152	160,284	109,944
Buildings and grounds	297,464	217,193	412,282	351,895
Employee fringe benefits	64,500	62,103	73,500	67,660
County Treasurer	71,650	67,940	57,880	51,249
County Collector	154,467	142,561	156,000	146,789
Recorder of Deeds	86,355	82,333	87,720	84,698
Circuit Clerk	79,640	68,499	106,140	63,535
Court administration	-	3,095	10,129	2,953
Public Administrator	61,405	60,204	72,109	67,666
Emergency fund	46,587	-	77,800	-
Other	333,747	279,460	271,700	234,853
Transfers out	264,271	54,673	329,617	51,030
Total Disbursements	<u>\$ 1,909,127</u>	<u>\$ 1,431,972</u>	<u>\$ 2,013,326</u>	<u>\$ 1,410,624</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (313,854)	\$ 220,883	\$ (458,383)	\$ 200,162
CASH AND INVESTMENTS, JANUARY 1	<u>1,153,169</u>	<u>1,153,169</u>	<u>1,374,052</u>	<u>1,374,052</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 839,315</u>	<u>\$ 1,374,052</u>	<u>\$ 915,669</u>	<u>\$ 1,574,214</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD & BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 508,000	\$ 543,305	\$ 509,000	\$ 545,869	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	918,948	972,813	1,828,070	1,050,962	258,190	265,896	265,895	273,502
Charges for services	-	-	-	-	-	-	-	-
Interest	650	397	350	375	1,200	1,113	1,113	1,442
Other	3,000	11,191	10,500	18,837	3,000	5,896	5,851	8,086
Transfers in	1,400,000	1,010,288	1,494,000	1,305,502	32,552	32,552	32,994	32,994
Total Receipts	<u>\$ 2,830,598</u>	<u>\$ 2,537,994</u>	<u>\$ 3,841,920</u>	<u>\$ 2,921,545</u>	<u>\$ 294,942</u>	<u>\$ 305,457</u>	<u>\$ 305,853</u>	<u>\$ 316,024</u>
DISBURSEMENTS								
Salaries	\$ 551,600	\$ 545,135	\$ 610,200	603,683	\$ 170,575	\$ 169,797	\$ 174,839	\$ 157,954
Employee fringe benefits	157,000	156,195	188,500	180,202	44,000	41,699	46,066	46,817
Materials and supplies	332,100	311,216	343,040	247,188	12,900	12,127	14,900	12,782
Services and other	308,500	301,370	397,223	392,532	50,240	34,942	55,850	31,956
Capital outlay	250,000	283,572	250,000	241,890	-	-	-	-
Construction	1,229,000	987,074	2,052,812	1,256,050	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,828,200</u>	<u>\$ 2,584,562</u>	<u>\$ 3,841,775</u>	<u>\$ 2,921,545</u>	<u>\$ 277,715</u>	<u>\$ 258,565</u>	<u>\$ 291,655</u>	<u>\$ 249,509</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 2,398	\$ (46,568)	\$ 145	\$ -	\$ 17,227	\$ 46,892	\$ 14,198	\$ 66,515
CASH AND INVESTMENTS, JANUARY 1	<u>46,568</u>	<u>46,568</u>	<u>-</u>	<u>-</u>	<u>164,414</u>	<u>164,414</u>	<u>211,306</u>	<u>211,306</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 48,966</u>	<u>\$ -</u>	<u>\$ 145</u>	<u>\$ -</u>	<u>\$ 181,641</u>	<u>\$ 211,306</u>	<u>\$ 225,504</u>	<u>\$ 277,821</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND				COLLECTOR'S TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,300,000	1,449,525	1,300,000	1,539,199	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	35,000	41,071	31,000	31,134
Interest	2,500	3,210	3,000	3,859	100	96	95	106
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,302,500</u>	<u>\$ 1,452,735</u>	<u>\$ 1,303,000</u>	<u>\$ 1,543,058</u>	<u>\$ 35,100</u>	<u>\$ 41,167</u>	<u>\$ 31,095</u>	<u>\$ 31,240</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 2,240	\$ 2,067	\$ 3,360	\$ 3,359
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	5,500	5,884	21,000	11,235
Services and other	160,000	170,553	160,000	181,105	23,260	13,575	16,640	14,957
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	1,400,000	1,010,288	1,494,000	1,305,501	7,000	7,008	7,000	7,012
Total Disbursements	<u>\$ 1,560,000</u>	<u>\$ 1,180,841</u>	<u>\$ 1,654,000</u>	<u>\$ 1,486,606</u>	<u>\$ 38,000</u>	<u>\$ 28,534</u>	<u>\$ 48,000</u>	<u>\$ 36,563</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (257,500)	\$ 271,894	\$ (351,000)	\$ 56,452	\$ (2,900)	\$ 12,633	\$ (16,905)	\$ (5,323)
CASH AND INVESTMENTS, JANUARY 1	<u>266,469</u>	<u>266,469</u>	<u>538,363</u>	<u>538,363</u>	<u>5,184</u>	<u>5,184</u>	<u>17,817</u>	<u>17,817</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 8,969</u>	<u>\$ 538,363</u>	<u>\$ 187,363</u>	<u>\$ 594,815</u>	<u>\$ 2,284</u>	<u>\$ 17,817</u>	<u>\$ 912</u>	<u>\$ 12,494</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S SPECIAL OPERATIONS FUND				ELECTION SERVICES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,000	1,775	2,000	2,566
Charges for services	-	-	-	-	14,000	-	3,250	-
Interest	-	-	-	-	250	198	200	224
Other	-	-	-	-	9,000	-	1,700	-
Transfers in	-	-	-	-	-	10,699	-	6,613
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,250</u>	<u>\$ 12,672</u>	<u>\$ 7,150</u>	<u>\$ 9,403</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	-	-	-	30,000	8,264	40,000	3,941
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 8,264</u>	<u>\$ 40,000</u>	<u>\$ 3,941</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ (3,750)	\$ 4,408	\$ (32,850)	\$ 5,462
CASH AND INVESTMENTS, JANUARY 1	<u>2,812</u>	<u>2,812</u>	<u>2,812</u>	<u>2,812</u>	<u>39,132</u>	<u>39,132</u>	<u>43,540</u>	<u>43,540</u>
CASH AND INVESTMENTS, DECEMBER 31	<u><u>\$ 2,812</u></u>	<u><u>\$ 2,812</u></u>	<u><u>\$ 2,812</u></u>	<u><u>\$ 2,812</u></u>	<u><u>\$ 35,382</u></u>	<u><u>\$ 43,540</u></u>	<u><u>\$ 10,690</u></u>	<u><u>\$ 49,002</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	INMATE SECURITY FUND				LAW ENFORCEMENT RESTITUTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	11,278	20,301	15,100	18,027	60,000	57,794	57,000	60,442
Interest	-	-	-	-	500	516	500	644
Other	-	-	-	-	-	6,800	-	5,020
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 11,278</u>	<u>\$ 20,301</u>	<u>\$ 15,100</u>	<u>\$ 18,027</u>	<u>\$ 60,500</u>	<u>\$ 65,110</u>	<u>\$ 57,500</u>	<u>\$ 66,106</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	31,000	17,858	38,000	38,000
Services and other	4,000	1,111	15,000	991	44,000	2,061	62,000	13,500
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	7,036	-	6,507
Total Disbursements	<u>\$ 4,000</u>	<u>\$ 1,111</u>	<u>\$ 15,000</u>	<u>\$ 991</u>	<u>\$ 75,000</u>	<u>\$ 26,955</u>	<u>\$ 100,000</u>	<u>\$ 58,007</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 7,278	\$ 19,190	\$ 100	\$ 17,036	\$ (14,500)	\$ 38,155	\$ (42,500)	\$ 8,099
CASH AND INVESTMENTS, JANUARY 1	<u>19,654</u>	<u>19,654</u>	<u>38,844</u>	<u>38,844</u>	<u>89,503</u>	<u>89,503</u>	<u>127,658</u>	<u>127,658</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 26,932</u>	<u>\$ 38,844</u>	<u>\$ 38,944</u>	<u>\$ 55,880</u>	<u>\$ 75,003</u>	<u>\$ 127,658</u>	<u>\$ 85,158</u>	<u>\$ 135,757</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				DEPUTY SHERIFF SALARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,850	2,870	2,800	2,995	49,322	45,359	40,396	40,562
Charges for services	5,900	6,586	6,600	5,961	15,500	11,641	11,600	10,247
Interest	96	85	90	114	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 8,846</u>	<u>\$ 9,541</u>	<u>\$ 9,490</u>	<u>\$ 9,070</u>	<u>\$ 64,822</u>	<u>\$ 57,000</u>	<u>\$ 51,996</u>	<u>\$ 50,809</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 44,186	\$ 43,558	\$ 38,534	\$ 39,895
Employee fringe benefits	-	-	-	-	1,010	915	1,004	850
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	8,000	3,414	8,000	2,864	15,500	11,641	11,600	10,247
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	5,000	-	-	-
Total Disbursements	<u>\$ 8,000</u>	<u>\$ 3,414</u>	<u>\$ 8,000</u>	<u>\$ 2,864</u>	<u>\$ 65,696</u>	<u>\$ 56,114</u>	<u>\$ 51,138</u>	<u>\$ 50,992</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 846	\$ 6,127	\$ 1,490	\$ 6,206	\$ (874)	\$ 886	\$ 858	\$ (183)
CASH AND INVESTMENTS, JANUARY 1	<u>15,668</u>	<u>15,668</u>	<u>21,795</u>	<u>21,795</u>	<u>874</u>	<u>874</u>	<u>1,760</u>	<u>1,760</u>
CASH AND INVESTMENTS, DECEMBER 31	<u><u>\$ 16,514</u></u>	<u><u>\$ 21,795</u></u>	<u><u>\$ 23,285</u></u>	<u><u>\$ 28,001</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,760</u></u>	<u><u>\$ 2,618</u></u>	<u><u>\$ 1,577</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SENATE BILL 40 FUND				PROSECUTING ATTORNEY DELINQUENT TAX FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 50,000	\$ 60,026	\$ 50,000	\$ 60,188	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	200,000	657,524	250,000	637,036	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	195	232	200	217	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 250,195</u>	<u>\$ 717,782</u>	<u>\$ 300,200</u>	<u>\$ 697,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	245,150	773,217	297,700	645,664	2,689	608	2,000	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 245,150</u>	<u>\$ 773,217</u>	<u>\$ 297,700</u>	<u>\$ 645,664</u>	<u>\$ 2,689</u>	<u>\$ 608</u>	<u>\$ 2,000</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 5,045	\$ (55,435)	\$ 2,500	\$ 51,777	\$ (2,689)	\$ (608)	\$ (2,000)	\$ -
CASH AND INVESTMENTS, JANUARY 1	<u>214,133</u>	<u>214,133</u>	<u>158,698</u>	<u>158,698</u>	<u>2,689</u>	<u>2,689</u>	<u>2,081</u>	<u>2,081</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 219,178</u>	<u>\$ 158,698</u>	<u>\$ 161,198</u>	<u>\$ 210,475</u>	<u>\$ -</u>	<u>\$ 2,081</u>	<u>\$ 81</u>	<u>\$ 2,081</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				RECORDER'S USERS FEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	1,500	1,670	1,650	1,522	18,000	18,299	19,000	19,628
Interest	-	-	-	-	100	79	75	118
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,500</u>	<u>\$ 1,670</u>	<u>\$ 1,650</u>	<u>\$ 1,522</u>	<u>\$ 18,100</u>	<u>\$ 18,378</u>	<u>\$ 19,075</u>	<u>\$ 19,746</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	11,000	11,324	15,000	7,857
Services and other	1,500	1,399	2,000	1,556	14,000	500	10,000	2,331
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,500</u>	<u>\$ 1,399</u>	<u>\$ 2,000</u>	<u>\$ 1,556</u>	<u>\$ 25,000</u>	<u>\$ 11,824</u>	<u>\$ 25,000</u>	<u>\$ 10,188</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ 271	\$ (350)	\$ (34)	\$ (6,900)	\$ 6,554	\$ (5,925)	\$ 9,558
CASH AND INVESTMENTS, JANUARY 1	<u>344</u>	<u>344</u>	<u>615</u>	<u>615</u>	<u>11,617</u>	<u>11,617</u>	<u>18,171</u>	<u>18,171</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 344</u>	<u>\$ 615</u>	<u>\$ 265</u>	<u>\$ 581</u>	<u>\$ 4,717</u>	<u>\$ 18,171</u>	<u>\$ 12,246</u>	<u>\$ 27,729</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	REGIONAL CHILD SUPPORT FUND				SENIOR CITIZENS SERVICES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 127,819	\$ 143,705	\$ 128,570	\$ 144,063
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	143,643	150,440	143,643	136,439	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	125	121	100	209
Other	21,754	25,084	21,754	21,754	-	852	693	866
Transfers in	11,423	11,423	11,423	11,423	-	-	-	-
Total Receipts	<u>\$ 176,820</u>	<u>\$ 186,947</u>	<u>\$ 176,820</u>	<u>\$ 169,616</u>	<u>\$ 127,944</u>	<u>\$ 144,678</u>	<u>\$ 129,363</u>	<u>\$ 145,138</u>
DISBURSEMENTS								
Salaries	\$ 116,574	\$ 112,897	\$ 116,364	\$ 116,057	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	29,926	21,438	29,926	24,606	-	-	-	-
Materials and supplies	4,400	4,758	2,800	8,092	-	-	-	29
Services and other	25,920	21,783	27,820	16,432	186,473	109,627	222,943	129,136
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 176,820</u>	<u>\$ 160,876</u>	<u>\$ 176,910</u>	<u>\$ 165,187</u>	<u>\$ 186,473</u>	<u>\$ 109,627</u>	<u>\$ 222,943</u>	<u>\$ 129,165</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ 26,071	\$ (90)	\$ 4,429	\$ (58,529)	\$ 35,051	\$ (93,580)	\$ 15,973
CASH AND INVESTMENTS, JANUARY 1	<u>4,465</u>	<u>4,465</u>	<u>30,536</u>	<u>30,536</u>	<u>58,529</u>	<u>58,529</u>	<u>93,580</u>	<u>93,580</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 4,465</u>	<u>\$ 30,536</u>	<u>\$ 30,446</u>	<u>\$ 34,965</u>	<u>\$ -</u>	<u>\$ 93,580</u>	<u>\$ -</u>	<u>\$ 109,553</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF CIVIL FEES FUND				SPECIAL TRUST FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	37,500	29,354	31,500	25,072	-	-	-	-
Charges for services	-	-	-	-	9,500	8,946	9,500	8,853
Interest	415	265	300	217	-	-	-	-
Other	-	-	-	152	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 37,915</u>	<u>\$ 29,619</u>	<u>\$ 31,800</u>	<u>\$ 25,441</u>	<u>\$ 9,500</u>	<u>\$ 8,946</u>	<u>\$ 9,500</u>	<u>\$ 8,853</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	82,500	35,115	80,612	32,433	-	-	-	-
Services and other	-	-	-	-	9,500	8,946	9,500	8,273
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 82,500</u>	<u>\$ 35,115</u>	<u>\$ 80,612</u>	<u>\$ 32,433</u>	<u>\$ 9,500</u>	<u>\$ 8,946</u>	<u>\$ 9,500</u>	<u>\$ 8,273</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (44,585)	\$ (5,496)	\$ (48,812)	\$ (6,992)	\$ -	\$ -	\$ -	\$ 580
CASH AND INVESTMENTS, JANUARY 1	<u>54,308</u>	<u>54,308</u>	<u>48,812</u>	<u>48,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 9,723</u>	<u>\$ 48,812</u>	<u>\$ -</u>	<u>\$ 41,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 580</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	VETERANS MEMORIAL FUND				COUNTY REVENUE SAVINGS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	13	8	8	8	4,200	3,450	3,450	3,593
Other	-	-	-	-	-	183,791	-	53
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 13</u>	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ 4,200</u>	<u>\$ 187,241</u>	<u>\$ 3,450</u>	<u>\$ 3,646</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	200	-	200	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (187)	\$ 8	\$ (192)	\$ 8	\$ 4,200	\$ 187,241	\$ 3,450	\$ 3,646
CASH AND INVESTMENTS, JANUARY 1	<u>3,275</u>	<u>3,275</u>	<u>3,283</u>	<u>3,283</u>	<u>577,247</u>	<u>577,247</u>	<u>764,488</u>	<u>764,488</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 3,088</u>	<u>\$ 3,283</u>	<u>\$ 3,091</u>	<u>\$ 3,291</u>	<u>\$ 581,447</u>	<u>\$ 764,488</u>	<u>\$ 767,938</u>	<u>\$ 768,134</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S REVOLVING FUND				LAW ENFORCEMENT SALES TAX FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	1,300,000	1,449,525	1,303,000	1,539,204
Intergovernmental	-	-	-	-	54,000	47,505	52,566	56,856
Charges for services	35,000	25,600	30,000	42,840	120,600	118,103	110,650	102,749
Interest	200	269	250	285	500	755	700	1,140
Other	-	-	-	-	170,450	146,201	138,000	168,915
Transfers in	-	-	-	-	242,306	41,740	323,514	41,517
Total Receipts	<u>\$ 35,200</u>	<u>\$ 25,869</u>	<u>\$ 30,250</u>	<u>\$ 43,125</u>	<u>\$ 1,887,856</u>	<u>\$ 1,803,829</u>	<u>\$ 1,928,430</u>	<u>\$ 1,910,381</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 1,107,190	\$ 999,796	\$ 1,361,909	\$ 1,047,880
Employee fringe benefits	-	-	-	-	207,167	260,956	20,884	297,521
Materials and supplies	-	-	-	-	147,200	122,063	151,600	85,353
Services and other	-	-	-	-	449,346	345,587	492,343	400,184
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	30,000	30,000	30,000	30,000	-	-	-	-
Total Disbursements	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 1,910,903</u>	<u>\$ 1,728,402</u>	<u>\$ 2,026,736</u>	<u>\$ 1,830,938</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 5,200	\$ (4,131)	\$ 250	\$ 13,125	\$ (23,047)	\$ 75,427	\$ (98,306)	\$ 79,443
CASH AND INVESTMENTS, JANUARY 1	<u>42,801</u>	<u>42,801</u>	<u>38,670</u>	<u>38,670</u>	<u>23,047</u>	<u>23,047</u>	<u>98,474</u>	<u>98,474</u>
CASH AND INVESTMENTS, DECEMBER 31	<u><u>\$ 48,001</u></u>	<u><u>\$ 38,670</u></u>	<u><u>\$ 38,920</u></u>	<u><u>\$ 51,795</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 98,474</u></u>	<u><u>\$ 168</u></u>	<u><u>\$ 177,917</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

PROSECUTING ATTORNEY BAD CHECK FUND				
Year Ended December 31,				
	2014		2015	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	6,000	5,011	5,000	6,378
Interest	-	10	10	13
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	<u>\$ 6,000</u>	<u>\$ 5,021</u>	<u>\$ 5,010</u>	<u>\$ 6,391</u>
DISBURSEMENTS				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-
Materials and supplies	-	-	-	-
Services and other	-	316	-	-
Capital outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	6,000	4,705	5,010	5,011
Total Disbursements	<u>\$ 6,000</u>	<u>\$ 5,021</u>	<u>\$ 5,010</u>	<u>\$ 5,011</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ 1,380
CASH AND INVESTMENTS, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND INVESTMENTS, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,380</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

POLK COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Polk County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three Commissioners, there are ten elected Constitutional Officers: Assessor, Circuit Clerk, Collector, Coroner, County Clerk, Prosecuting Attorney, Public Administrator, Recorder, Sheriff, and Treasurer.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, transportation, economic development, and social and recreation services.

The financial statements referred to above include the primary government of Polk County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the County's legal entity.

Certain elected County officials, particularly the County Collector, Circuit Clerk and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
 2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
 3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
 4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
 5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection.
 6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
 7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
 8. Budgets are prepared and adopted on the cash basis of accounting.
 9. Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the Sheriff's Special Operations Fund in 2014 or 2015.
 10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the Senate Bill 40 Fund in 2014 and 2015.
- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property included within the County's boundaries for calendar years 2015 and 2014 were:

	2015	2014
Real Estate	\$ 214,071,470	\$ 211,463,200
Personal Property	58,683,040	57,700,960
Railroad and Utilities	22,458,621	20,707,738
Total	<u>\$ 295,213,131</u>	<u>\$ 289,871,898</u>

For calendar years 2015 and 2014, the County Commission approved tax levies per \$100 of assessed valuation of tangible taxable property as follows:

	2015	2014
General Revenue	0.3235	0.3235
Special Road & Bridge	0.2790	0.2790
Senate Bill 40	0.0209	0.0209
Senior Citizens Services	0.0500	0.0500

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash deposits may include repurchase agreements and any other instruments with an original maturity of ninety days or less. Investments consist of instruments with an original maturity of greater than 90 days. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash and investment balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash

and Investments” caption. Cash includes both deposits and cash equivalents. Cash equivalents are instruments with original maturities less than three months.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, the carrying amounts of the County’s deposits were \$4,162,674 and \$3,635,355, respectively, and the bank balances were \$4,904,215 and \$4,839,873, respectively. Of the bank balances, \$500,000 and \$408,699 at December 31, 2015 and December 31, 2014, respectively, were covered by federal depository insurance. The remainder of the balances at December 31, 2015 and 2014 were covered by collateral held at the Federal Reserve Bank and the County’s safekeeping bank agent in the County’s name or by a line of credit held by the County or by its agent in the County’s name.

At December 31, 2015 and 2014, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. Tax collections on deposit amounted to \$8,608,169 and \$7,510,312 at December 31, 2015 and 2014, respectively. The County Collector’s deposits were covered by federal depository insurance of \$250,000 as of December 31, 2015 and 2014. The remainder of the balances as December 31, 2015 and 2014 were covered by collateral held at the Federal Reserve Bank and the County’s safekeeping bank agent in the County’s name or by a line of credit held by the County or by its agent in the County’s name.

3. COUNTY EMPLOYEES’ RETIREMENT PLANS

A. County Employees’ Retirement Fund (CERF)

The County Employee’s Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-573-632-9203.

3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2015 and 2014, the County collected and remitted to CERF employee contributions and fees collected of \$111,233 and \$101,195, respectively, for the years then ended.

B. Prosecuting Attorney's Retirement Fund

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County contributed \$7,752 and \$7,752 for the years ended December 31, 2015 and 2014, respectively.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Litigation

The County is involved in pending litigation as of the audit report date. The County's management and legal counsel anticipate that the potential claims, if any, against the County

resulting from such litigation would not have a material effect on the financial position of the County.

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. This ranges from getting one week after the first year of service, and two weeks after two years of service and three weeks after 10 years of service. Upon termination from county employment, an employee is reimbursed for unused vacation time, if applicable. County employees receive personal days when they start, after 90 days of continuous employment. An employee is not reimbursed for unused personal time upon termination of employment. Full-time employees earn 4 hours per month of sick time, up to a maximum of 240 hours. Upon voluntary termination, employees will be compensated for half of their unused sick time if the employee provides two weeks' notice. Employees may not be compensated for unused sick time if involuntarily terminated.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. LONG TERM DEBT

The County had the following debt outstanding at December 31, 2015:

- i. On June 15, 2012, the County entered into a lease purchase agreement with First State Bank for the purchase of a Kyocera 3050ci digital color copier system. The lease purchase is in the amount of \$12,287. The lease purchase agreement calls for 60 monthly payments of \$238, with the final payment due on June 15, 2017.
- ii. The County entered into a 10 year lease purchase agreement on June 16, 2014, with US Bank in the amount of \$1,400,000. The funds are to be used for the construction and installation of a geothermal energy system for the County Court House. The lease purchase agreement calls for 10 annual payments of \$159,446 with an interest rate of 2.438%.
- iii. On June 12, 2015, the County entered into a lease purchase agreement with CAT Financial to purchase a Caterpillar Motor Grader. The lease purchase agreement calls for four annual payments of \$16,453 and a final payment of \$150,453. The lease agreement carries an interest rate of 2.71%.
- iv. On July 31, 2015, the County entered into a lease purchase agreement with John Deere to purchase three Motor Graders. The lease purchase is in the amount of \$660,756. The lease purchase agreement calls for five annual payments of \$50,369 and a final payment of \$417,000 due on August 31, 2020.
- v. On October 23, 2012, the Polk County clerk entered into an operating lease agreement with Pitney Bowes for a mailing system. The lease agreement calls for 20 quarterly payments of \$798. The County made lease payments of \$3,192 for the year ended December 31, 2015.

8. CHANGE IN REPORTING ENTITY

The County has changed its reporting entity to include a certain fund which was previously excluded and to exclude a certain fund which was previously included. The MO Office of Prosecution Services Fund was previously included, but is excluded from this report as the fund collects and distributes fees on behalf of another entity. The Deputy Sheriff Salary Fund was previously excluded but is included in this report. The effect of this change is to increase the beginning cash balances as of January 1, 2014 by the amount of the beginning balance of the Deputy Sheriff Salary Fund.

9. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through August 4, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the County Commission and
Officeholders of Polk County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Polk County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Polk County, Missouri's basic financial statements and have issued our report thereon dated August 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Polk County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polk County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Polk County, Missouri's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 1.

We also noted three other matters that we reported to management of Polk County, Missouri in the accompanying schedule of findings and recommendations section as items 2, 3 and 4.

Polk County, Missouri's Response to Findings

Polk County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. Polk County, Missouri's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
August 4, 2016

FINDINGS AND RECOMMENDATIONS

POLK COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

None

ITEMS OF NONCOMPLIANCE

1. Budgetary Compliance

Condition: We noted two areas of noncompliance with State Statutes regarding the County's budgeting process during 2015 and 2014, as follows:

- a) Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the Sheriff's Special Operations Fund in 2015 and 2014.
- b) Actual expenditures exceeded budgeted expenditures for the Senate Bill 40 Fund in 2015 and 2014. State statutes prohibit the County from approving expenditures in excess of the authorized budgeted amount for any County fund. This requirement ensures that expenditures are subject to public scrutiny as provided by their inclusion in a budget adopted or amended at a public meeting.

Recommendation: We recommend the County Commission and County Clerk ensure compliance with State Statutes by adopting a formal budget for all funds. In addition, we recommend that the Senate Bill 40 Board refrain from approving expenditures in excess of budgeted amounts. In the event that the originally adopted budget is inadequate to finance current year unforeseen expenditures, budgetary amendments should be discussed in a public meeting and formally adopted by the County Commission.

County's Response: We are scheduled to amend the budget on August 16, 2016, at that time we will adopt a formal budget for the Sheriff's Special Operation Fund as per recommendation of the Auditors.

2014 is when we started working with the Center for Human Services and we did not have any idea what kind of revenues or expenditures would be associated with this relationship. In the future, the Senate Bill 40 Board will take into consideration when setting the budget expenditures to include any possible requests that may come before the Board during the budget year and budget accordingly, as to not go over in expenditures.

Auditor's Evaluation: The responses are appropriate to correct the concern.

OTHER MATTERS

2. Bid Process

Condition: The County did not procure bids for a 2014 Special Road & Bridge purchase of materials and supplies that was in excess of the threshold requiring bids. The County Commissioners stated the purchase was for chains and other necessary materials during a winter blizzard. The original purchase in the amount of \$7,859 was returned and the same items were purchased through several separate transactions made to avoid reaching the threshold that requires bids to be obtained. RSMo 50.780.2 allows the County to waive bidding in emergency situations provided that the County documents the reasons for not performing competitive procurement procedures in the Commission minutes. RSMo 50.783 allows the County to waive the requirements for bidding in the case of a sole source purchase if the reasoning is documented in the minutes.

Recommendation: We recommend the County establish procedures to ensure emergency purchases are approved and documented in the commissioner meeting minutes in accordance with state statutes.

County's Response: In the future when an emergency situation arises and we need to purchase materials and supplies that are in the excess of the threshold bid amount, we will document the reasons for not performing competitive procurement procedures in the Commission minutes as per 50.780.2 RSMo and upon recommendation of the Auditors.

Auditor's Evaluation: The response is appropriate to correct the concern.

3. Collector's Bank Reconciliations

Condition: The Collector does not investigate significant variances between the book and bank balances for the Collector's General Account bank reconciliations at December 31st of each year. The December 2014 reconciliation was out of balance by \$4,011. The following month, the January 2015 reconciliation was out of balance by \$6. The Collector did not complete the December 2015 reconciliation due to being away for medical reasons. The January 2016 bank reconciliation was out of balance by \$658.

The Collector stated that daily register deposits are reconciled to the online bank deposits daily. Therefore, any variances in the bank reconciliation are due to clerical errors. She stated her office is very busy collecting taxes and the variance always works out the following month.

Recommendation: We recommend that the Collector investigate significant variances in the bank reconciliations on a monthly basis to ensure the accountability of tax funds collected.

County's Response: December tax collections continue often through January 12-13th with the processing of mail and identification of payments that require additional corrections prior to processing. As soon as that is completed the December turnover must be completed by Jan 15th (RSMo 139.210). Upon verifying that sufficient funds are deposited to distribute, the December Distribution is completed and then the Railroad and Utility Disbursement begins which is a totally separate software program. The decision was made long ago to combine the December and January bank reconciliation because it is not time efficient to do them separately. This policy

was tested in 2014 and of course it showed a variance that at that time was unattributable, but later was resolved to a lesser amount of \$6 by waiting another 7 days to reconcile. The variance the audit findings report as \$4,011 represented a difference of 0.033482% (three hundredths of one percent, rounded) of the two months deposits. The amount attributed to the month of January 2015 collections is 1.88% of the entire total of December- January and as previously stated in the findings was reduced to \$6. That \$6 figure represents a variance of 0.000051% (five hundred thousandths of one percent, rounded) for the time periods' deposits. The Collector is in total agreement that 'significant' variances should be investigated.

Auditor's Evaluation: The response is appropriate to correct the concern.

4. Timely Filing of the Collector's Settlement

Condition: Section 139.160 of RSMo requires county collectors to settle accounts with the County Commission and file the Collector's Annual Settlement by the first Monday of March. The settlement for the period ending February 29, 2016 was filed on June 6, 2016. It is imperative that accurate and timely Collector's Settlements be filed with the County Clerk to allow for the independent verification of the Collector's accounts with the records maintained by the Clerk.

Recommendation: We recommend that the County Collector establish procedures to ensure that future settlements are submitted in a timely manner. We recommend that the County Clerk provide a timely certification of the Collector's accounts or obtain from the Collector a rationale of the basis for untimely filings.

County's Response: Per 139.160 the Collector is required to provide to the Commission information that shows that all monies are accounted for. Although Feb 29, 2016 (not Feb 28, 2016) was the last day of the collector year and the first Monday in March was March 7, 2016, the reports for Personal Property additions, Personal Property decreases, Personal Property additions, Real Estate additions, Real Estate decreases, Real Estate increases, as well as a yearly summary of all collections and delinquencies were printed and delivered to the Clerk on March 1, 2016. The statute reference was created in 1939. With today's technology, delinquent tax books are no longer printed. They are created in image form to be stored via digital and microfiche imagery for the future. That process takes time but we have access immediately to the amounts they represent and such were provided on an unequivocal timely basis. All monies were accounted for. The Collector's Annual Settlement is not mentioned in 139.160. It simply represents a piece of paper that outlines the accounting of the money for that year. Before it can be completed, the monthly settlement must be done as well as the monthly bank statement reconciliations and the Surtax and Interest distribution report. This year, a new surtax utilization program was to be used as provided by our software vendor. Unfortunately, it appeared to be incorrect and also to belong to a different county. I contacted the vendor as soon as the error was noticed and was told that only one person in their office was able to confirm or correct our problem and he was out for an extended time. Upon speaking to him on May 16, 2016, it was determined that the information the report provided would not produce what was needed. A new program was written by the Collector to calculate the correct amounts from the data initially provided. In this same time frame, two distinct teams of auditors arrived and began their audits. Immediate precedent was given to their requests. This seemed more prudent than spending limited resources to complete a report that had already been reconciled in the reports given to the Commission on March 1, 2016. Additional effort

will be put into having the Collector's Annual Settlement completed more timely for 2017. The Collector is now utilizing an additional program to capture all amounts needed for the Collectors Annual Settlement on a monthly basis, which should allow the Collector's Annual Settlement to be completed in March of each year barring unforeseen circumstances as occurred in 2016.

Auditor's Evaluation: The finding was modified to reflect the February 29th date. The response is appropriate to correct the concern.

POLK COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the status of the auditors' follow-up on action taken by Polk County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2013 and 2012.

1. Expenditures exceeded those budgeted for the MO Office Prosecution Services Fund and the Prosecuting Attorney Training Fund.

Status – Not resolved. See finding No. 1.

2. The County did not prepare a budget for the Prosecuting Attorney Delinquent Tax Fund.

Status – Not resolved. See finding No. 1.

3. The County did not have documented internal controls.

Status – Resolved.

4. The County did not have a formal fraud risk assessment in place.

Status – Resolved.

5. The Jail Account had a deficit book balance of \$76.41 as of December 31, 2013.

Status – Resolved.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Wright County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Wright County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

August 2016
Report No. 2016-067

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015 AND 2014

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
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FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Wright, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Wright ("County"), Missouri, which comprise cash and unencumbered cash for each fund as of December 31, 2015, and 2014, and the related statements of cash receipts and disbursements and disbursements-budget and actual for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting, a financial reporting framework prescribed or permitted by Missouri law as described in Note I of the accompanying financial statements. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note I of the financial statements, the financial statements are prepared on the basis of the financial reporting provisions prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Missouri.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note I and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County as of December 31, 2015, and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash of each fund of the County as of December 31, 2015, and 2014, and their respective cash receipts and disbursements, and budgetary results for the years then ended in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note I.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2016, on our consideration of the County of Wright’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Wright’s internal control over financial reporting and compliance.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

August 1, 2016

FINANCIAL STATEMENTS

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES -
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

FUND	CASH BALANCES JANUARY 1, 2015	RECEIPTS 2015	DISBURSEMENTS 2015	CASH BALANCES DECEMBER 31, 2015
General Revenue Fund	\$ 162,991.85	\$ 1,929,560.55	\$ 1,865,570.52	\$ 226,981.88
Special Road and Bridge Fund	337,444.49	1,614,233.71	1,735,983.71	215,694.49
Assessment Fund	1,636.52	185,709.05	186,413.18	932.39
Assessor Tech Fund	3,520.19	33,384.07	28,566.46	8,337.80
Sheriff Fee Fund	422.11	60,782.08	48,806.23	12,397.96
LET Fund	12,753.61	4,616.38	11,678.15	5,691.84
Inmate Security Fund	5,125.88	11,982.27	8,069.00	9,039.15
Concealed Weapons Fund	47,840.84	48,133.82	23,869.38	72,105.28
Restitution Fund	15,584.45	32,749.73	35,114.96	13,219.22
PA Training Fund	0.82	1,152.50	575.77	577.55
PA Delinquent Fund	663.87	171.65	75.00	760.52
Recorder User Fee Fund	70,461.96	6,417.33	10,111.39	66,767.90
Recorder Tech Fund	3,976.64	4,515.31	3,975.00	4,516.95
Election Service Fund	19,725.21	2,626.32	1,753.80	20,597.73
HAVA Program Income/Election Depreciation Fund	16,563.34	10,107.28	5,000.00	21,670.62
Computer Upgrade and Remodeling Fund	3,482.65	9.47	-	3,492.12
Plat Book Fund	13,463.37	1,117.68	2,000.00	12,581.05
Domestic Shelter Fund	100.47	560.79	500.00	161.26
LEPC Fund	4,717.17	5,647.50	1,267.34	9,097.33
Tax Maintenance Fund	5,443.34	21,286.79	23,713.73	3,016.40
PA Bad Check Fund	1,322.41	10,744.34	10,644.51	1,422.24
Developmentally Disabled Fund	618,286.23	171,776.81	141,681.00	648,382.04
TOTAL	\$ 1,345,527.42	\$ 4,157,285.43	\$ 4,145,369.13	\$ 1,357,443.72

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES -
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014

FUND	CASH BALANCES JANUARY 1, 2014	RECEIPTS 2014	DISBURSEMENTS 2014	CASH BALANCES DECEMBER 31, 2014
General Revenue Fund	\$ 199,837.93	\$ 2,462,741.35	\$ 2,499,587.43	\$ 162,991.85
Special Road and Bridge Fund	333,104.31	1,650,197.96	1,645,857.78	337,444.49
Assessment Fund	4,213.48	176,462.98	179,039.94	1,636.52
Assessor Tech Fund	9,024.62	28,787.00	34,291.43	3,520.19
Sheriff Fee Fund	6,041.43	59,471.59	65,090.91	422.11
LET Fund	18,713.15	7,027.22	12,986.76	12,753.61
Inmate Security Fund	1,645.50	14,952.42	11,472.04	5,125.88
Concealed Weapons Fund	50,801.61	20,447.18	23,407.95	47,840.84
Restitution Fund	11,762.16	23,191.19	19,368.90	15,584.45
PA Training Fund	908.40	1,267.14	2,174.72	0.82
PA Delinquent Fund	601.37	1,135.50	1,073.00	663.87
Recorder User Fee Fund	69,737.50	5,643.20	4,918.74	70,461.96
Recorder Tech Fund	8,818.23	3,812.91	8,654.50	3,976.64
Election Service Fund	15,617.86	6,273.20	2,165.85	19,725.21
HAVA Program Income/Election Depreciation Fund	22,718.37	21,544.97	27,700.00	16,563.34
Computer Upgrade and Remodeling Fund	4,203.96	10.69	732.00	3,482.65
Plat Book Fund	10,761.02	2,702.35	-	13,463.37
Domestic Shelter Fund	0.96	645.51	546.00	100.47
LEPC Fund	4,790.78	12.78	86.39	4,717.17
Tax Maintenance Fund	7,392.91	22,818.19	24,767.76	5,443.34
PA Bad Check Fund	223.50	10,377.49	9,278.58	1,322.41
Developmentally Disabled Fund	569,019.58	173,048.24	123,781.59	618,286.23
TOTAL	<u>\$ 1,349,938.63</u>	<u>\$ 4,692,571.06</u>	<u>\$ 4,696,982.27</u>	<u>\$ 1,345,527.42</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	GENERAL REVENUE FUND			
	2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 160,000.00	\$ 144,442.96	\$ 145,000.00	\$ 151,544.70
Sales Taxes	812,000.00	820,061.74	765,000.00	795,871.37
Intergovernmental	541,218.58	562,652.32	496,048.82	1,104,098.82
Charges for Services	266,200.00	270,446.58	250,460.57	269,910.68
Interest	750.00	684.61	1,800.00	886.53
Other	25,460.00	10,842.65	13,208.61	29,314.69
Transfers In	167,044.94	120,429.69	158,682.76	111,114.56
TOTAL RECEIPTS	1,972,673.52	1,929,560.55	1,830,200.76	2,462,741.35
DISBURSEMENTS				
County Commission	214,140.00	221,272.67	198,798.84	203,097.56
County Clerk	65,624.00	66,632.45	63,494.96	63,364.95
Elections	71,062.00	49,782.42	121,168.00	114,917.77
Buildings and Grounds	169,297.35	127,525.60	87,063.00	355,109.89
Employee Fringe Benefits	297,081.00	275,734.55	287,111.19	280,886.32
County Treasurer	46,381.00	46,005.23	42,039.96	41,548.53
Collector	79,596.00	78,420.63	75,601.96	76,216.44
Recorder of Deeds	54,942.00	52,509.89	53,376.31	50,578.72
Circuit Clerk	35,700.00	23,640.66	27,450.00	26,666.30
Court Administration	18,155.25	17,390.78	18,745.65	17,114.46
Public Administrator	42,500.00	42,468.76	41,299.96	41,408.90
Sheriff	240,592.00	235,026.55	218,389.24	230,845.22
Jail	176,298.00	141,961.88	145,045.20	173,969.81
Prosecuting Attorney	186,458.00	186,740.97	182,502.00	173,273.79
Juvenile Officer	77,134.87	79,036.96	79,698.19	67,830.15
Coroner	17,300.00	14,970.64	17,600.00	17,591.35
Emergency Management	600.00	-	600.00	-
Public Defenders Office	10,895.00	11,137.62	11,200.00	13,143.91
Other	114,520.00	99,471.59	119,670.00	462,209.31
Health and Welfare	40,967.92	34,099.00	42,262.00	33,814.09
Transfers Out	58,000.00	61,741.67	58,000.00	55,999.96
Emergency Fund	60,073.63	-	58,424.33	-
TOTAL DISBURSEMENTS	2,077,318.02	1,865,570.52	1,949,540.79	2,499,587.43
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(104,644.50)	63,990.03	(119,340.03)	(36,846.08)
CASH BALANCES, JANUARY 1	162,991.85	162,991.85	199,837.93	199,837.93
CASH BALANCES, DECEMBER 31	\$ 58,347.35	\$ 226,981.88	\$ 80,497.90	\$ 162,991.85

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

SPECIAL ROAD AND BRIDGE FUND				
	2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	812,000.00	820,055.19	765,000.00	795,855.11
Intergovernmental	1,267,146.91	751,086.14	1,458,000.00	840,129.13
Charges for Services	-	-	-	-
Interest	700.00	1,029.04	2,300.00	821.54
Other	13,350.00	42,063.34	25,650.00	13,392.18
Transfers In	-	-	-	-
TOTAL RECEIPTS	2,093,196.91	1,614,233.71	2,250,950.00	1,650,197.96
DISBURSEMENTS				
Salaries	441,986.44	429,246.87	455,151.24	437,973.28
Employee Fringe Benefits	149,330.67	124,392.71	149,330.85	136,676.47
Supplies	242,200.00	149,759.58	247,200.00	247,901.60
Insurance	30,000.00	28,656.02	28,500.00	28,751.67
Road and Bridge Materials	242,000.00	154,167.86	317,000.00	230,992.41
Equipment Repairs	60,000.00	118,617.81	60,000.00	53,351.74
Rentals	3,300.00	844.77	4,100.00	2,756.46
Equipment Purchases	228,000.00	301,738.16	132,000.00	87,710.31
Road and Bridge Construction	794,100.00	331,229.46	818,000.00	324,870.59
Other	16,000.00	18,946.84	19,675.00	16,618.76
Transfers Out	108,843.95	78,383.63	115,403.47	78,254.49
TOTAL DISBURSEMENTS	2,315,761.06	1,735,983.71	2,346,360.56	1,645,857.78
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(222,564.15)	(121,750.00)	(95,410.56)	4,340.18
CASH BALANCES, JANUARY 1	337,444.49	337,444.49	333,104.31	333,104.31
CASH BALANCES, DECEMBER 31	\$ 114,880.34	\$ 215,694.49	\$ 237,693.75	\$ 337,444.49

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	ASSESSMENT FUND				ASSESSOR TECH FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 120,575.00	\$ 122,767.17	\$ 114,286.00	\$ 118,466.54	\$ 20,890.00	\$ 20,447.55	\$ 19,000.00	\$ 19,924.83
Charges for Services	240.00	145.69	185.00	244.32	-	-	-	-
Interest	50.00	49.49	117.00	49.36	36.00	25.45	92.73	36.60
Other	5,815.00	13,746.70	4,410.00	5,702.76	9,065.00	2,040.91	8,160.41	8,825.57
Transfers In	62,500.00	49,000.00	70,266.90	52,000.00	9,286.48	10,870.16	-	-
TOTAL RECEIPTS	189,180.00	185,709.05	189,264.90	176,462.98	39,277.48	33,384.07	27,253.14	28,787.00
DISBURSEMENTS								
Salaries	125,131.73	125,470.31	120,909.96	119,955.69	-	-	-	-
Fringe Benefits	30,573.39	27,408.33	29,673.29	28,835.60	-	-	-	-
Office Supplies	8,200.00	6,305.53	7,500.00	7,467.26	-	-	-	-
Postage	4,500.00	7,305.22	5,800.00	5,792.70	-	-	-	-
Telephone	2,750.00	2,941.65	2,500.00	2,704.97	-	-	-	-
Fuel and Repair	6,500.00	3,759.86	5,500.00	5,340.24	-	-	-	-
Publications	250.00	191.25	250.00	218.75	-	-	-	-
Liability Insurance	2,950.00	1,286.32	2,712.37	2,719.61	-	-	-	-
Equipment Purchases	2,000.00	-	-	-	3,000.00	2,622.00	-	-
Utilities	-	480.12	2,266.00	5,147.18	-	-	-	-
Programming	-	-	-	-	6,675.00	-	8,865.00	9,135.00
Education	-	-	-	-	2,900.00	2,819.46	2,900.00	2,714.43
Computer Maintenance	-	-	-	-	2,000.00	6,675.00	3,000.00	45.00
PRC Programming	-	-	-	-	4,000.00	-	2,000.00	4,285.00
GIS Mapping	-	-	-	-	15,000.00	15,450.00	10,400.00	18,112.00
Other	500.00	394.43	610.00	857.94	-	-	-	-
Transfers Out	-	10,870.16	-	-	7,000.00	1,000.00	8,766.90	-
TOTAL DISBURSEMENTS	183,355.12	186,413.18	177,721.62	179,039.94	40,575.00	28,566.46	35,931.90	34,291.43
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	5,824.88	(704.13)	11,543.28	(2,576.96)	(1,297.52)	4,817.61	(8,678.76)	(5,504.43)
CASH BALANCES, JANUARY 1	1,636.52	1,636.52	4,213.48	4,213.48	3,520.19	3,520.19	9,024.62	9,024.62
CASH BALANCES, DECEMBER 31	\$ 7,461.40	\$ 932.39	\$ 15,756.76	\$ 1,636.52	\$ 2,222.67	\$ 8,337.80	\$ 345.86	\$ 3,520.19

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	SHERIFF FEE FUND				LET FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ 5,697.63	\$ 1,155.23	\$ -	\$ -	\$ -	\$ -
Charges for Services	53,000.00	44,893.97	64,000.00	46,417.74	7,000.00	4,590.50	7,000.00	6,989.77
Interest	8.00	16.44	100.00	15.20	10.00	25.88	120.00	37.45
Other	1,700.00	2,130.00	1,000.00	2,883.42	-	-	-	-
Transfers In	-	13,741.67	9,000.00	9,000.00	-	-	-	-
TOTAL RECEIPTS	54,708.00	60,782.08	79,797.63	59,471.59	7,010.00	4,616.38	7,120.00	7,027.22
DISBURSEMENTS								
Guard	2,200.00	3,505.00	31,598.38	18,842.21	-	-	-	-
Jailer	34,190.21	36,619.76	34,074.41	39,062.83	-	-	-	-
Equipment	2,200.00	407.41	4,500.00	674.46	-	-	-	-
Uniforms	800.00	1,927.85	1,000.00	639.27	-	-	-	-
Lodging	-	-	-	-	-	-	-	-
LEBG Grant	1,000.00	-	1,000.00	3,632.23	-	-	-	-
Postage	-	-	-	-	25.00	-	25.00	-
Training	-	-	-	-	7,000.00	11,004.75	7,500.00	12,092.40
Other	10,176.36	6,346.21	7,520.00	2,239.91	-	-	-	-
Transfers Out	-	-	-	-	5,000.00	673.40	5,000.00	894.36
TOTAL DISBURSEMENTS	50,566.57	48,806.23	79,692.79	65,090.91	12,025.00	11,678.15	12,525.00	12,986.76
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	4,141.43	11,975.85	104.84	(5,619.32)	(5,015.00)	(7,061.77)	(5,405.00)	(5,959.54)
CASH BALANCES, JANUARY 1	422.11	422.11	6,041.43	6,041.43	12,753.61	12,753.61	18,713.15	18,713.15
CASH BALANCES, DECEMBER 31	\$ 4,563.54	\$ 12,397.96	\$ 6,146.27	\$ 422.11	\$ 7,738.61	\$ 5,691.84	\$ 13,308.15	\$ 12,753.61

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	INMATE SECURITY FUND				CONCEALED WEAPONS FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	15,000.00	11,955.51	10,000.00	14,947.27	25,000.00	47,961.52	18,000.00	20,320.00
Interest	3.00	26.76	15.00	5.15	70.00	172.30	325.00	127.18
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	15,003.00	11,982.27	10,015.00	14,952.42	25,070.00	48,133.82	18,325.00	20,447.18
DISBURSEMENTS								
Crime Star License	1,200.00	300.00	300.00	1,600.00	-	-	-	-
Camera System	800.00	-	800.00	-	-	-	-	-
Repair to Jail	5,000.00	-	3,000.00	-	-	-	-	-
Prisoner Transport	1,500.00	2,769.00	1,000.00	4,872.00	-	-	-	-
Office Expense	-	-	-	-	1,500.00	522.75	1,000.00	1,910.41
Criminal Record Fee	-	-	-	-	4,000.00	5,428.00	5,000.00	3,222.50
Live Scan	-	-	-	-	4,500.00	3,694.00	4,500.00	3,517.72
Other	-	-	-	-	-	-	5,000.00	-
Transfers Out	5,000.00	5,000.00	5,000.00	5,000.04	15,000.00	14,224.63	14,000.00	14,757.32
TOTAL DISBURSEMENTS	13,500.00	8,069.00	10,100.00	11,472.04	25,000.00	23,869.38	29,500.00	23,407.95
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	1,503.00	3,913.27	(85.00)	3,480.38	70.00	24,264.44	(11,175.00)	(2,960.77)
CASH BALANCES, JANUARY 1	5,125.88	5,125.88	1,645.50	1,645.50	47,840.84	47,840.84	50,801.61	50,801.61
CASH BALANCES, DECEMBER 31	\$ 6,628.88	\$ 9,039.15	\$ 1,560.50	\$ 5,125.88	\$ 47,910.84	\$ 72,105.28	\$ 39,626.61	\$ 47,840.84

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	RESTITUTION FUND				PA TRAINING FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 20,000.00	\$ 32,690.48	\$ 20,000.00	\$ 23,142.58	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	1,200.00	1,152.00	1,600.00	1,266.48
Interest	15.00	59.25	60.00	48.61	-	0.50	9.00	0.66
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	1,200.00	-	-	-
TOTAL RECEIPTS	20,015.00	32,749.73	20,060.00	23,191.19	2,400.00	1,152.50	1,609.00	1,267.14
DISBURSEMENTS								
Sheriff Expense	17,500.00	17,972.37	15,500.00	7,655.20	-	-	-	-
Prosecutor Expense	17,500.00	17,142.59	15,500.00	11,713.70	-	-	-	-
Mileage and Training	-	-	-	-	2,300.00	575.77	2,300.00	2,174.72
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	35,000.00	35,114.96	31,000.00	19,368.90	2,300.00	575.77	2,300.00	2,174.72
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(14,985.00)	(2,365.23)	(10,940.00)	3,822.29	100.00	576.73	(691.00)	(907.58)
CASH BALANCES, JANUARY 1	15,584.45	15,584.45	11,762.16	11,762.16	0.82	0.82	908.40	908.40
CASH BALANCES, DECEMBER 31	\$ 599.45	\$ 13,219.22	\$ 822.16	\$ 15,584.45	\$ 100.82	\$ 577.55	\$ 217.40	\$ 0.82

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THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	PA DELINQUENT FUND				RECORDER USER FEE FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges For Services	1,100.00	169.75	2,800.00	1,134.10	5,000.00	6,228.00	5,700.00	5,452.00
Interest	-	1.90	8.50	1.40	160.00	189.33	180.00	191.20
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	1,100.00	171.65	2,808.50	1,135.50	5,160.00	6,417.33	5,880.00	5,643.20
DISBURSEMENTS								
Computer and Programming	-	-	-	-	39,444.00	2,025.00	38,720.00	-
Preservation of Records	-	-	-	-	4,000.00	1,105.87	4,000.00	-
Scanning	-	-	-	-	4,000.00	-	4,000.00	-
Book Binding	-	-	-	-	4,000.00	-	4,000.00	578.78
Other	750.00	75.00	1,400.00	1,073.00	4,000.00	500.00	4,000.00	-
Transfers Out	1,000.00	-	2,000.00	-	15,000.00	6,480.52	15,000.00	4,339.96
TOTAL DISBURSEMENTS	1,750.00	75.00	3,400.00	1,073.00	70,444.00	10,111.39	69,720.00	4,918.74
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(650.00)	96.65	(591.50)	62.50	(65,284.00)	(3,694.06)	(63,840.00)	724.46
CASH BALANCES, JANUARY 1	663.87	663.87	601.37	601.37	70,461.96	70,461.96	69,737.50	69,737.50
CASH BALANCES, DECEMBER 31	\$ 13.87	\$ 760.52	\$ 9.87	\$ 663.87	\$ 5,177.96	\$ 66,767.90	\$ 5,897.50	\$ 70,461.96

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	RECORDER TECH FUND				ELECTION SERVICE FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 4,000.00	\$ 2,571.41	\$ 5,000.00	\$ 6,227.12
Charges for Services	3,300.00	4,502.50	3,800.00	3,796.25	-	-	-	-
Interest	6.00	12.81	10.00	16.66	40.00	54.91	95.00	46.08
Other	-	-	-	-	-	-	25.00	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	3,306.00	4,515.31	3,810.00	3,812.91	4,040.00	2,626.32	5,120.00	6,273.20
DISBURSEMENTS								
Computer System	-	-	-	-	-	-	-	-
Maintenance	2,475.00	2,475.00	2,816.00	2,654.50	-	-	-	-
Tech Support	1,500.00	1,500.00	6,000.00	6,000.00	-	-	-	-
Training Expense	-	-	-	-	10,500.00	1,753.80	4,000.00	2,165.85
Other	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	3,975.00	3,975.00	8,816.00	8,654.50	10,500.00	1,753.80	4,000.00	2,165.85
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(669.00)	540.31	(5,006.00)	(4,841.59)	(6,460.00)	872.52	1,120.00	4,107.35
CASH BALANCES, JANUARY 1	3,976.64	3,976.64	8,818.23	8,818.23	19,725.21	19,725.21	15,617.86	15,617.86
CASH BALANCES, DECEMBER 31	<u>\$ 3,307.64</u>	<u>\$ 4,516.95</u>	<u>\$ 3,812.23</u>	<u>\$ 3,976.64</u>	<u>\$ 13,265.21</u>	<u>\$ 20,597.73</u>	<u>\$ 16,737.86</u>	<u>\$ 19,725.21</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	HAVA PROGRAM INCOME/ELECTION				COMPUTER UPGRADE AND REMODELING FUND			
	DEPRECIATION FUND							
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges For Services	4,500.00	4,900.00	4,000.00	15,900.00	-	-	-	-
Interest	30.00	59.28	130.00	44.97	15.00	9.47	35.00	10.69
Other	5,148.00	5,148.00	-	5,600.00	-	-	-	-
Transfers In	-	-	-	-	10,000.00	-	10,000.00	-
TOTAL RECEIPTS	9,678.00	10,107.28	4,130.00	21,544.97	10,015.00	9.47	10,035.00	10.69
DISBURSEMENTS								
Equipment Upgrade/Repair	12,000.00	3,500.00	12,000.00	19,200.00	-	-	-	-
Insight Extended Warranty	5,250.00	-	3,000.00	5,250.00	-	-	-	-
DRE Extended Warranty	-	-	2,000.00	1,750.00	-	-	-	-
AERO License	1,500.00	1,500.00	1,500.00	1,500.00	-	-	-	-
Other	-	-	-	-	13,400.00	-	14,000.00	732.00
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	18,750.00	5,000.00	18,500.00	27,700.00	13,400.00	-	14,000.00	732.00
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(9,072.00)	5,107.28	(14,370.00)	(6,155.03)	(3,385.00)	9.47	(3,965.00)	(721.31)
CASH BALANCES, JANUARY 1	16,563.34	16,563.34	22,718.37	22,718.37	3,482.65	3,482.65	4,203.96	4,203.96
CASH BALANCES, DECEMBER 31	<u>\$ 7,491.34</u>	<u>\$ 21,670.62</u>	<u>\$ 8,348.37</u>	<u>\$ 16,563.34</u>	<u>\$ 97.65</u>	<u>\$ 3,492.12</u>	<u>\$ 238.96</u>	<u>\$ 3,482.65</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	PLAT BOOK FUND				DOMESTIC SHELTER FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 900.00	\$ 560.00	\$ 1,195.00	\$ 645.00
Charges For Services	-	-	-	-	-	-	-	-
Interest	30.00	37.37	65.00	32.29	0.25	0.79	5.00	0.51
Other	2,240.00	1,080.31	3,500.00	2,670.06	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	2,270.00	1,117.68	3,565.00	2,702.35	900.25	560.79	1,200.00	645.51
DISBURSEMENTS								
Wall Maps	1,800.00	-	1,800.00	-	-	-	-	-
Purchase of Plat Books	10,800.00	2,000.00	9,650.00	-	-	-	-	-
Data Collection for Plat Books	2,750.00	-	2,500.00	-	-	-	-	-
Shipping & Handling Charges	300.00	-	300.00	-	-	-	-	-
Shelter Expense	-	-	-	-	1,000.00	500.00	1,200.00	546.00
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	15,650.00	2,000.00	14,250.00	-	1,000.00	500.00	1,200.00	546.00
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,380.00)	(882.32)	(10,685.00)	2,702.35	(99.75)	60.79	-	99.51
CASH BALANCES, JANUARY 1	13,463.37	13,463.37	10,761.02	10,761.02	100.47	100.47	0.96	0.96
CASH BALANCES, DECEMBER 31	\$ 83.37	\$ 12,581.05	\$ 76.02	\$ 13,463.37	\$ 0.72	\$ 161.26	\$ 0.96	\$ 100.47

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	LEPC FUND				TAX MAINTENANCE FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 2,500.00	\$ 5,626.47	\$ 2,600.00	\$ -	\$ -	\$ -	\$ -	\$ -
Charges For Services	-	-	-	-	24,442.85	21,274.24	21,100.00	22,792.90
Interest	9.00	21.03	7.00	12.78	35.58	12.55	42.95	25.29
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	2,509.00	5,647.50	2,607.00	12.78	24,478.43	21,286.79	21,142.95	22,818.19
DISBURSEMENTS								
Postage/Publication	50.00	6.71	100.00	1.60	1,200.00	838.80	1,000.00	2,066.25
Training	250.00	-	250.00	-	1,900.00	2,440.50	2,500.00	1,786.62
Supplies	-	-	-	-	8,500.00	7,933.65	9,000.00	7,528.46
Equipment	-	-	-	-	1,000.00	1,961.54	2,000.00	3,425.50
Title Search	-	-	-	-	1,000.00	400.00	-	1,000.00
Programming	-	-	-	-	1,000.00	1,710.00	2,300.00	2,314.76
Bond	-	-	-	-	867.00	867.00	638.00	638.00
Part-Time Help	-	-	-	-	800.00	442.24	1,000.00	251.75
Legal Fees	-	-	-	-	700.00	-	1,000.00	-
Contract Service	1,000.00	1,000.00	-	-	-	-	-	-
Meeting Expense	150.00	198.17	-	84.79	-	-	-	-
Office Expense	50.00	62.46	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	7,120.00	7,120.00	4,000.00	5,756.42
TOTAL DISBURSEMENTS	1,500.00	1,267.34	350.00	86.39	24,087.00	23,713.73	23,438.00	24,767.76
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	1,009.00	4,380.16	2,257.00	(73.61)	391.43	(2,426.94)	(2,295.05)	(1,949.57)
CASH BALANCES, JANUARY 1	4,717.17	4,717.17	4,790.78	4,790.78	5,443.34	5,443.34	7,392.91	7,392.91
CASH BALANCES, DECEMBER 31	\$ 5,726.17	\$ 9,097.33	\$ 7,047.78	\$ 4,717.17	\$ 5,834.77	\$ 3,016.40	\$ 5,097.86	\$ 5,443.34

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	PA BAD CHECK FUND				DEVELOPMENTALLY DISABLED FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 140,000.00	\$ 130,265.18	\$ 135,000.00	\$ 136,673.44
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	18,020.00	15,733.10	24,320.00	10,623.28
Charges For Services	9,200.00	10,741.83	12,000.00	9,873.19	-	-	-	-
Interest	2.50	2.51	7.50	4.30	2,200.00	1,778.53	2,200.00	1,751.52
Other	-	-	9,000.00	500.00	24,000.00	24,000.00	23,400.00	24,000.00
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	9,202.50	10,744.34	21,007.50	10,377.49	184,220.00	171,776.81	184,920.00	173,048.24
DISBURSEMENTS								
Department of Revenue	1,450.00	1,405.00	1,500.00	1,326.47	-	-	-	-
Office Expense	800.00	205.00	500.00	-	1,355.00	935.17	1,355.00	888.29
Publications	-	-	150.00	720.10	-	-	-	-
Computer	-	-	500.00	-	-	-	-	-
Trial Expenses	1,500.00	88.00	1,500.00	120.00	-	-	-	-
Training	-	399.00	-	-	-	-	-	-
Services	-	-	-	-	338,500.00	140,745.83	336,500.00	122,137.80
Buildings and Grounds	-	-	-	-	1,400.00	-	10,200.00	755.50
Transfers Out	6,500.00	8,547.51	17,081.00	7,112.01	-	-	-	-
TOTAL DISBURSEMENTS	10,250.00	10,644.51	21,231.00	9,278.58	341,255.00	141,681.00	348,055.00	123,781.59
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(1,047.50)	99.83	(223.50)	1,098.91	(157,035.00)	30,095.81	(163,135.00)	49,266.65
CASH BALANCES, JANUARY 1	1,322.41	1,322.41	223.50	223.50	618,286.23	618,286.23	569,019.58	569,019.58
CASH BALANCES, DECEMBER 31	\$ 274.91	\$ 1,422.24	\$ -	\$ 1,322.41	\$ 461,251.23	\$ 648,382.04	\$ 405,884.58	\$ 618,286.23

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
AS OF DECEMBER 31, 2015

	COAD DISASTER SERVICE FUND	FINANCIAL INSTITUTION TAX	JUVENILE CENTER FUND	UNCLAIMED FEES FUND	OVER/PLUS FUND	CERF FUND
ASSETS						
Cash and Cash Equivalents	\$ 186.34	\$ 13,593.16	\$ 1,078.00	\$ -	\$ 7,823.47	\$ 2,612.97
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	186.34	13,593.16	1,078.00	-	7,823.47	2,612.97
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	186.34	13,593.16	1,078.00	-	7,823.47	2,612.97
UNRESERVED FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 186.34</u>	<u>\$ 13,593.16</u>	<u>\$ 1,078.00</u>	<u>\$ -</u>	<u>\$ 7,823.47</u>	<u>\$ 2,612.97</u>
	WITHHOLDING FUND	SCHOOL FUND	LANDFILL FUND	SHERIFF	RECORDER	PROSECUTING ATTORNEY
ASSETS						
Cash and Cash Equivalents	\$ 56.65	\$ 7,635.18	\$ 3.07	\$ 8,678.95	\$ 10,007.70	\$ 44,210.11
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	56.65	7,635.18	3.07	8,678.95	10,007.70	44,210.11
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	56.65	7,635.18	3.07	8,678.95	10,007.70	44,210.11
UNRESERVED FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 56.65</u>	<u>\$ 7,635.18</u>	<u>\$ 3.07</u>	<u>\$ 8,678.95</u>	<u>\$ 10,007.70</u>	<u>\$ 44,210.11</u>
	COLLECTOR	TOTAL AGENCY FUNDS				
ASSETS						
Cash and Cash Equivalents	\$ 5,082,818.28	\$ 5,178,703.88				
Investments						
Other Investments	-	-				
Total Investments	-	-				
Total Assets	5,082,818.28	5,178,703.88				
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	5,082,818.28	5,178,703.88				
UNRESERVED FUND BALANCES	-	-				
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,082,818.28</u>	<u>\$ 5,178,703.88</u>				

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
AS OF DECEMBER 31, 2014

	<u>COAD DISASTER SERVICE FUND</u>	<u>FINANCIAL INSTITUTION TAX</u>	<u>JUVENILE CENTER FUND</u>	<u>UNCLAIMED FEES FUND</u>	<u>OVER/PLUS FUND</u>	<u>CERF FUND</u>
ASSETS						
Cash and Cash Equivalents	\$ 186.34	\$ 19,172.24	\$ 6,562.20	\$ 606.28	\$ 4,013.34	\$ 2,403.04
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	186.34	19,172.24	6,562.20	606.28	4,013.34	2,403.04
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	186.34	19,172.24	6,562.20	606.28	4,013.34	2,403.04
UNRESERVED FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 186.34</u>	<u>\$ 19,172.24</u>	<u>\$ 6,562.20</u>	<u>\$ 606.28</u>	<u>\$ 4,013.34</u>	<u>\$ 2,403.04</u>

	<u>WITHHOLDING FUND</u>	<u>SCHOOL FUND</u>	<u>LANDFILL FUND</u>	<u>SHERIFF</u>	<u>RECORDER</u>	<u>PROSECUTING ATTORNEY</u>
ASSETS						
Cash and Cash Equivalents	\$ 54.16	\$ 4,304.82	\$ 3.66	\$ 5,960.71	\$ 9,376.08	\$ 44,518.82
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	54.16	4,304.82	3.66	5,960.71	9,376.08	44,518.82
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	54.16	4,304.82	3.66	5,960.71	9,376.08	44,518.82
UNRESERVED FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 54.16</u>	<u>\$ 4,304.82</u>	<u>\$ 3.66</u>	<u>\$ 5,960.71</u>	<u>\$ 9,376.08</u>	<u>\$ 44,518.82</u>

	<u>COLLECTOR</u>	<u>TOTAL AGENCY FUNDS</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,904,389.98	\$ 5,001,551.67
Investments		
Other Investments	-	-
Total Investments	-	-
Total Assets	4,904,389.98	5,001,551.67
LIABILITIES AND FUND BALANCES		
TOTAL LIABILITIES	4,904,389.98	5,001,551.67
UNRESERVED FUND BALANCES	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,904,389.98</u>	<u>\$ 5,001,551.67</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Wright, Missouri ("County"), which is governed by three commissioners, was established in 1841 by an Act of the Missouri Territory. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, County Clerk, Collector of Revenue, Coroner, Circuit Clerk, Recorder of Deeds, Prosecuting Attorney, Public Administrator, Sheriff, and Treasurer.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of the County.

The County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Wright County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which include a Statement of Receipts, Disbursements and Changes in Cash Balances– All Governmental Funds, a Comparative Statement of Receipts, Disbursements and Changes in Cash Balances – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similarly to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The financial statements are prepared on the regulatory basis of accounting. This basis of accounting recognizes amounts when received or disbursed in cash and differs from accounting principles generally accepted in the United States of America.

As a result of using this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budget and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting (concluded)

2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their offices or departments for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

State law requires that budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets.

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Property Taxes (concluded)

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2015 and 2014, for purposes of taxation, was:

	<u>2015</u>	<u>2014</u>
Real Estate	\$ 126,019,210	\$ 120,940,080
Personal Property	42,435,901	39,859,578
Railroad and Utilities	<u>10,927,067</u>	<u>10,336,074</u>
	<u>\$ 179,382,178</u>	<u>\$ 171,135,732</u>

During 2015 and 2014, the County Commission approved a \$0.1516 and \$0.1668 tax levy, respectively, per \$100 of assessed valuation of tangible taxable property, for purposes of County taxation, as follows:

	<u>2015</u>	<u>2014</u>
General Revenue Fund	\$ 0.0722	\$ 0.0861
Developmentally Disabled Fund	<u>0.0794</u>	<u>0.0807</u>
	<u>\$ 0.1516</u>	<u>\$ 0.1668</u>

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balances. Cash equivalents include repurchase agreements and any other instruments with an original maturity of 90 days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note II.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are eliminated due to reporting the financial statements on the regulatory basis of accounting.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

II. DEPOSITS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed as "Cash" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015, and 2014, the carrying amounts of the County's deposits were \$1,357,443.72 and \$1,345,527.42, and the bank balances were \$4,887,918.71 and \$4,992,493.32, respectively. The total bank balance as of December 31, 2015, and December 31, 2014, was insured through the Federal Deposit Insurance Corporation and securities set by the County's financial institutions.

SUMMARY OF CARRYING VALUES

The carrying values of deposits shown above are included in the financial statements at December 31, 2015, as follows:

<u>Statements of Receipts, Disbursements and Changes in Cash</u>	
<u>Balances</u>	
Deposits	\$ 1,357,443.72
Total Governmental Funds	<u>1,357,443.72</u>
<u>Statement of Assets and Liabilities Arising from Cash</u>	
<u>Transactions – Agency Funds:</u>	
Deposits	<u>5,178,703.88</u>
Total Agency Funds	<u>5,178,703.88</u>
Total Deposits as of December 31, 2015	<u>\$ 6,536,147.60</u>

The carrying values of deposits at December 31, 2014, are as follows:

<u>Statements of Receipts, Disbursements and Changes in Cash</u>	
<u>Balances</u>	
Deposits	\$ 1,345,527.42
Total Governmental Funds	<u>1,345,527.42</u>
<u>Statement of Assets and Liabilities Arising from Cash</u>	
<u>Transactions – Agency Funds:</u>	
Deposits	<u>5,001,551.67</u>
Total Agency Funds	<u>5,001,551.67</u>
Total Deposits as of December 31, 2014	<u>\$ 6,347,079.09</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the years ended December 31, 2015, and 2014.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

II. DEPOSITS AND INVESTMENTS (concluded)

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of investment credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the years ended December 31, 2015, and 2014.

III. INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2015, and 2014 are as follows:

	2015		2014	
	TRANSFERS IN	TRANSFERS OUT	TRANSFERS IN	TRANSFERS OUT
General Revenue Fund	\$ 120,429.69	\$ 61,741.67	\$ 111,114.56	\$ 55,999.96
Special Road and Bridge Fund	-	78,383.63	-	78,254.49
Assessment Fund	49,000.00	10,870.16	52,000.00	-
Assessor Tech Fund	10,870.16	1,000.00	-	-
Sheriff Fee Fund	13,741.67	-	9,000.00	-
LET Fund	-	673.40	-	894.36
Inmate Security Fund	-	5,000.00	-	5,000.04
Concealed Weapons Fund	-	14,224.63	-	14,757.32
Recorder User Fee Fund	-	6,480.52	-	4,339.96
Tax Maintenance Fund	-	7,120.00	-	5,756.42
PA Bad Check Fund	-	8,547.51	-	7,112.01
TOTAL	<u>\$ 194,041.52</u>	<u>\$ 194,041.52</u>	<u>\$ 172,114.56</u>	<u>\$ 172,114.56</u>

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

III. INTERFUND TRANSFERS (concluded)

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Revenue Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

IV. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

Plan Description

The Wright County's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. Wright County participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits to employees of participating political subdivisions. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program then in effect for their political subdivision. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance. The LAGERS Board of Trustees establishes the benefit plans and provisions that are available for adoption. The political subdivision's governing body adopts all benefits of the plan.

2015 Valuation

Benefit Multiplier:	1.75%
Final Average Salary:	3 Years
Member Contributions:	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

IV. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Employees Covered By Benefit Terms

At June 30, 2015, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>
Inactive employees or beneficiaries currently receiving benefits	34	4
Inactive employees entitled to but not yet receiving benefits	24	10
Active employees	56	6
	<u>114</u>	<u>20</u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 0% of their gross pay to the pension plan. Employer contribution rates are 10.2% (General) and 9.9% (Police) of annual covered payroll.

Net Pension Liability

The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

Actuarial Assumptions

The total pension liability in the February 28, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation; 3.0% price inflation
Salary Increase	3.5% to 6.8% including inflation
Investment rate of return	7.25%, net of investment and administrative expenses

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015, valuation were based on the results of an actuarial experience study for the period March 1, 2005, through February 28, 2010.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

IV. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

IV. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Changes in the Net Pension Liability

Schedule of Changes in Net Pension Liability and Related Ratios

	General Division	Police Division
A. Total Pension Liability		
1 Service Cost	\$ 169,463	\$ 21,209
2 Interest on Total Pension Liability	388,370	35,830
3 Changes of Benefit Terms	-	-
4 Difference between expected and actual experience of the Total Pension Liability	(46,636)	(8,382)
5 Changes of Assumptions	-	-
6 Benefit payments, including refunds of employee contributions	(120,984)	(9,208)
7 Net change in total pension liability	390,213	39,449
8 Total pension liability - beginning	5,333,018	488,311
9 Total pension liability - ending	<u>\$ 5,723,231</u>	<u>\$ 527,760</u>
B. Plan Fiduciary Net Position		
1 Contributions - employer	\$ 204,168	\$ 21,941
2 Contributions - employee	-	-
3 Net investment income	117,038	11,675
4 Benefit payments, including refunds of employee contributions	(120,984)	(9,208)
5 Pension plan administrative expense	(9,693)	(1,212)
6 Other (net transfer)	173,315	16,666
7 Net change in plan fiduciary net position	363,844	39,862
8 Plan fiduciary net position - beginning	5,974,778	594,217
9 Plan fiduciary net position - ending	<u>\$ 6,338,622</u>	<u>\$ 634,079</u>
C. Net Pension Liability / (Asset)	<u>\$ (615,391)</u>	<u>\$ (106,319)</u>
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	110.75%	120.15%
E. Covered-Employee Payroll	\$ 1,609,667	\$ 187,945
F. Net Pension Liability as a Percentage of Covered Employee Payroll	-38.23%	-56.57%

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

IV. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate.

Sensitivity of Net Pension Liability to the Single Discount Rate

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
General Division:			
Total Pension Liability (TPL)	\$ 6,613,084	\$ 5,723,231	\$ 4,990,218
Plan Fiduciary Net Position	6,338,622	6,338,622	6,338,622
Net Pension Liability / (Asset) (NPL)	\$ 274,462	\$ (615,391)	\$ (1,348,404)
Police Division:			
Total Pension Liability (TPL)	\$ 608,993	\$ 527,760	\$ 461,608
Plan Fiduciary Net Position	634,079	634,079	634,079
Net Pension Liability / (Asset) (NPL)	\$ (25,086)	\$ (106,319)	\$ (172,471)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the employer recognized pension expense of \$7,730. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	General		Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (36,688)	\$ -	\$ (4,844)
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	259,939	-	25,928	-
Employer contributions subsequent to the measurement date	-	-	-	-
Total	<u>\$ 259,939</u>	<u>\$ (36,688)</u>	<u>\$ 25,928</u>	<u>\$ (4,844)</u>

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

IV. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (concluded)

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2015.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Net Deferred Outflows of Resources - General	Net Deferred Outflows of Resources - Police
2016	\$ 55,037	\$ 2,944
2017	55,037	5,176
2018	55,037	6,482
2019	58,140	6,482
2020	-	-
Thereafter	-	-
Total	<u>\$ 223,251</u>	<u>\$ 21,084</u>

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

A. Plan Description

CERF was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in CERF, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

CERF is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000, could opt out of the system. CERF is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

A. Plan Description (concluded)

Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-573-632-9203.

B. Contributions

Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, participating county employees hired on or after February 25, 2002, are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee.

The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature. During 2015 and 2014, the County collected and remitted to CERF, employee contributions of \$28,239.58 and \$27,568.07, respectively, for the years then ended.

VI. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$7,752.00 and \$7,752.00, respectively, for the years ended December 31, 2015, and 2014.

VII. POST-EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County. There were no participants at December 31, 2015, or December 31, 2014.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

VIII. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County was not involved in any litigation as of the audit report date.

B. Compensated Absences (Vacation and Sick Time)

Wright County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime. Sick leave is offered to full time employees after 6 months of continuous service at a rate of 12 hours and for each month of continuous service after the initial 6 months. Employees can accumulate an additional 2 hours of sick leave up to a maximum of 36 hours. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as inappropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

IX. SUBSEQUENT EVENTS

There are no subsequent events to report as of the audit report date.

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool, which is a corporate and political body created pursuant to state statute (Chapter 537.700 RSMo). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

X. RISK MANAGEMENT (concluded)

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

**SUPPLEMENTARY SCHEDULES
AND
AUDITOR'S REPORT**

STATE COMPLIANCE SECTION

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2015 AND 2014

SCHEDULE OF STATE FINDINGS

- I. For the year ended December 31, 2015, actual expenses exceeded budgeted expenses in the Assessment Fund, Restitution Fund and PA Bad Check Fund.
- II. For the year ended December 31, 2014, actual expenses exceeded budgeted expenses in the General Revenue Fund, Assessment Fund, LET Fund, Inmate Security Fund, HAVA Program Income/Election Depreciation Fund and Tax Maintenance Fund.

INTERNAL CONTROL AND COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the County Commission
The County of Wright, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the County of Wright (County) as of and for the years ended December 31, 2015, and 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [FS 2015-001 and FS 2015-002]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

August 1, 2016

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2015 AND 2014

I. FINANCIAL STATEMENT FINDINGS

FS 2015-001 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, as amended by SAS No. 122 *Statements on Auditing Standards: Clarification and Recodification*, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Context: During walkthroughs, the County informed us that internal control documentation had not been prepared.

Effect: SAS 122 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of Responsible Officials and Planned Corrective Actions: The County Clerk's office is in the process of preparing the required internal control documentation in conformity with the COSO framework for the next audit period. Wright County's Clerk is Nelda Masner and her office phone number is 417-741-6661.

FS 2015-002 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During the County's walkthroughs, we noted there is no formal fraud risk assessment in place.

Context: During walkthroughs, the County informed us that the necessary risk assessment documentation had not been prepared.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2015 AND 2014

I. FINANCIAL STATEMENT FINDINGS (concluded)

FS 2015-002 Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of Responsible Officials and Planned Corrective Actions: The County Clerk's office is in the process of preparing formal fraud risk assessment for the next audit period. Wright County's Clerk is Nelda Masner and her office phone number is 417-741-6661.

THE COUNTY OF WRIGHT
HARTVILLE, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
DECEMBER 31, 2015 AND 2014

I. FOLLOW-UP PRIOR YEAR FINDINGS

There was no prior audit report or findings for the year ended December 31, 2013.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

August 1, 2016

To the Board of Commissioners
County of Wright

In planning and performing our audit of the regulatory based financial statements of the County of Wright (the "County") as of and for the years ended December 31, 2015, and December 31, 2014 in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in County's internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the County's internal control to be significant deficiencies as noted in section I.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Information Required by Professional Standards

The County's management has provided written responses to the findings in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the County Commission, County Office Holders, the Missouri State Auditor and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

FS 2015-001 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, as amended by SAS No. 122 *Statements on Auditing Standards: Clarification and Recodification*, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Context: During walkthroughs, the County informed us that internal control documentation had not been prepared.

Effect: SAS 122 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of Responsible Officials and Planned Corrective Actions: The County Clerk's office is in the process of preparing the required internal control documentation in conformity with the COSO framework for the next audit period. Wright County's Clerk is Nelda Masner and her office phone number is 417-741-6661.

FS 2015-002 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During the County's walkthroughs, we noted there is no formal fraud risk assessment in place.

Context: During walkthroughs, the County informed us that the necessary risk assessment documentation had not been prepared.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (concluded)

FS 2015-002 Views of Responsible Officials and Planned Corrective Actions: The County Clerk's office is in the process of preparing formal fraud risk assessment for the next audit period. Wright County's Clerk is Nelda Masner and her office phone number is 417-741-6661.

II. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 18, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2015 and 2014 fiscal years. We noted no transactions entered into by the county during the years for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Due to the County applying the regulatory basis of accounting, no estimates are made during the preparation of financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 1, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the County’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We noted during our audit certain matters that were not considered to be significant deficiencies or material weaknesses. During the audit we noted that the Clerk’s January 22, 2015, Wal-Mart credit card statement had a late fee charge of \$29.00. We recommend the County pay the bills within the grace period to avoid future late fees.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Lawrence County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Lawrence County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the year ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

August 2016
Report No. 2016-068

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
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FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Lawrence, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Lawrence ("County"), Missouri, which comprise cash and unencumbered cash for each fund as of December 31, 2015, and the related statements of cash receipts and disbursements and disbursements-budget and actual for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting, a financial reporting framework prescribed or permitted by Missouri law as described in Note I of the accompanying financial statements. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note I of the financial statements, the financial statements are prepared on the basis of the financial reporting provisions prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Missouri.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note I and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash of each fund of the County as of December 31, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note I.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Lawrence’s basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2016, on our consideration of the County of Lawrence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Lawrence's internal control over financial reporting and compliance.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

July 28, 2016

FINANCIAL STATEMENTS

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

FUND	CASH BALANCES JANUARY 1, 2015	RECEIPTS 2015	DISBURSEMENTS 2015	CASH BALANCES DECEMBER 31, 2015
General Revenue Fund	\$ 797,272.46	\$ 4,548,619.02	\$ 4,517,517.99	\$ 828,373.49
Special Road and Bridge Fund	526,089.88	3,281,947.38	3,277,324.54	530,712.72
Assessment Fund	797,542.96	408,473.76	344,891.22	861,125.50
Judicial Sales Tax Fund	1,644,739.82	1,173,272.21	1,227,409.88	1,590,602.15
Capital Improvements Fund	399,101.63	211,559.84	199,001.63	411,659.84
Common I Fund	251,273.88	454,754.46	446,799.06	259,229.28
Common II Fund	126,486.58	294,765.04	335,373.76	85,877.86
P.A. Admin Handling Cost Fund	26,510.63	14,958.18	19,644.52	21,824.29
Sheriff Special Fund	174,060.02	90,325.29	88,999.71	175,385.60
Law Enforcement Restitution Fund	52,297.67	23,223.27	45,024.35	30,496.59
P.A. Training Fund	697.41	886.81	1,037.04	547.18
Law Enforcement Training Fund	4,578.05	4,939.05	3,839.47	5,677.63
911 Emergency Fund	18,178.54	252,905.45	245,146.41	25,937.58
Inmate Security Fund	12,990.29	10,317.70	14,575.31	8,732.68
Election Services Fund	30,127.43	10,336.72	12,552.89	27,911.26
Collector's Tax Maintenance Fund	22,838.88	50,869.24	41,783.74	31,924.38
Recorder User Fee Fund	119,520.15	27,599.46	36,230.19	110,889.42
Sheriff's Revolving Fund	62,562.81	53,252.72	23,189.43	92,626.10
L.E.P.C. Fund	13,033.90	4,796.65	887.13	16,943.42
Domestic Violence Fund	967.00	7,983.00	8,200.00	750.00
Domestic Cannabis Eradication Fund	3,725.78	91,650.00	90,821.25	4,554.53
Senior Services Board Fund	57,174.19	214,843.30	179,454.50	92,562.99
Developmentally Disabled Board Fund	245,392.79	825,645.76	721,246.81	349,791.74
TOTAL	\$ 5,387,162.75	\$ 12,057,924.31	\$ 11,880,950.83	\$ 5,564,136.23

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
(the Primary Government)
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	GENERAL REVENUE FUND	
	2015	
	BUDGET	ACTUAL
RECEIPTS		
Property Taxes	\$ 667,100.00	\$ 598,998.74
Sales Taxes	1,765,000.00	1,879,063.73
Intergovernmental	1,123,858.00	1,144,035.62
Charges for Services	766,798.00	747,653.61
Interest	15,200.00	17,411.21
Other	118,274.23	128,630.67
Transfers In	45,700.00	32,825.44
TOTAL RECEIPTS	4,501,930.23	4,548,619.02
DISBURSEMENTS		
County Commission	320,623.00	313,590.78
County Clerk	103,352.00	99,930.85
Elections	111,885.00	70,765.80
Buildings and Grounds	95,218.00	86,925.47
Employee Fringe Benefits	604,300.00	575,715.44
County Treasurer	51,630.00	50,088.42
Collector	93,647.00	88,858.78
Recorder of Deeds	96,820.00	88,559.60
Circuit Clerk	47,568.00	45,600.78
Court Administration	34,471.00	27,653.59
Public Administrator	73,020.00	71,146.15
Sheriff	772,967.00	775,733.96
Jail	629,842.90	706,033.01
Prosecuting Attorney	342,597.00	342,794.78
Juvenile Officer	130,529.00	113,731.15
Coroner	37,895.00	31,503.60
Child Support Enforcement Unit	219,208.00	201,973.89
Other General County Govt	201,094.00	213,313.43
Public Health and Welfare Services	501,166.00	466,098.51
Transfers Out	187,500.00	147,500.00
TOTAL DISBURSEMENTS	4,655,332.90	4,517,517.99
RECEIPTS OVER (UNDER)		
DISBURSEMENTS	(153,402.67)	31,101.03
CASH, JANUARY 1	797,272.46	797,272.46
CASH, DECEMBER 31	\$ 643,869.79	\$ 828,373.49

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	SPECIAL ROAD AND BRIDGE FUND		ASSESSMENT FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 53,555.00	\$ 68,499.25	\$ -	\$ -
Sales Taxes	1,500,000.00	1,552,345.25	-	-
Intergovernmental	1,444,585.00	1,427,469.68	316,500.00	386,355.98
Charges for Services	-	-	18,000.00	17,063.20
Interest	-	241.15	4,050.00	5,054.58
Other	210,000.00	233,392.05	-	-
Transfers In	-	-	-	-
TOTAL RECEIPTS	3,208,140.00	3,281,947.38	338,550.00	408,473.76
DISBURSEMENTS				
Supplies	3,500.00	8,401.12	114,320.00	73,158.26
Road and Bridge Construction	2,428,181.49	2,376,513.24	-	-
Salaries	1,000.00	971.25	230,470.00	215,430.00
Benefits	178.00	165.61	58,540.00	51,027.15
Other Expenses	240,000.00	238,766.50	8,200.00	5,275.81
Transfers Out	655,253.51	652,506.82	-	-
TOTAL DISBURSEMENTS	3,328,113.00	3,277,324.54	411,530.00	344,891.22
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(119,973.00)	4,622.84	(72,980.00)	63,582.54
CASH, JANUARY 1	526,089.88	526,089.88	797,542.96	797,542.96
CASH, DECEMBER 31	\$ 406,116.88	\$ 530,712.72	\$ 724,562.96	\$ 861,125.50

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	JUDICIAL SALES TAX FUND		CAPITAL IMPROVEMENTS FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Sales Taxes	\$ 1,160,000.00	\$ 1,166,046.59	\$ -	\$ -
Intergovernmental	-	-	284,000.00	111,559.84
Interest	5,000.00	7,225.62	-	-
Transfers In	-	-	100,000.00	100,000.00
TOTAL RECEIPTS	1,165,000.00	1,173,272.21	384,000.00	211,559.84
DISBURSEMENTS				
Salaries	143,866.00	126,845.21	-	-
Benefits	37,700.00	39,414.95	-	-
Capital Improvements	-	-	426,400.00	199,001.63
Supplies and Services	15,000.00	19,105.32	-	-
Office	2,800.00	2,536.22	-	-
Other	66,056.00	62,194.43	-	-
Principal and Interest	980,000.00	977,313.75	-	-
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	1,245,422.00	1,227,409.88	426,400.00	199,001.63
RECEIPTS OVER (UNDER) DISBURSEMENTS	(80,422.00)	(54,137.67)	(42,400.00)	12,558.21
CASH, JANUARY 1	1,644,739.82	1,644,739.82	399,101.63	399,101.63
CASH, DECEMBER 31	\$ 1,564,317.82	\$ 1,590,602.15	\$ 356,701.63	\$ 411,659.84

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	COMMON I FUND		COMMON II FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 67,357.00	\$ 72,060.46	\$ 24,812.00	\$ 25,094.32
Intergovernmental	19,000.00	20,554.89	6,300.00	6,779.27
Interest	-	-	-	-
Other	-	2,523.74	3,000.00	-
Transfers In	346,097.38	359,615.37	253,009.30	262,891.45
TOTAL RECEIPTS	432,454.38	454,754.46	287,121.30	294,765.04
DISBURSEMENTS				
Salaries	88,000.00	74,674.30	56,000.00	59,010.76
Employee Fringe Benefits	15,625.00	18,079.47	15,200.00	16,606.46
Materials and Supplies	469,800.00	354,045.29	268,100.00	259,756.54
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	573,425.00	446,799.06	339,300.00	335,373.76
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(140,970.62)	7,955.40	(52,178.70)	(40,608.72)
CASH, JANUARY 1	251,273.88	251,273.88	126,486.58	126,486.58
CASH, DECEMBER 31	\$ 110,303.26	\$ 259,229.28	\$ 74,307.88	\$ 85,877.86

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	P.A. ADMIN HANDLING			
	COST FUND		SHERIFF SPECIAL FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 50,000.00	\$ 35,089.26
Charges for Services	19,000.00	13,901.77	-	-
Interest	250.00	154.74	-	942.80
Other	-	901.67	10,000.00	16,346.45
Transfers In	-	-	37,946.78	37,946.78
TOTAL RECEIPTS	19,250.00	14,958.18	97,946.78	90,325.29
DISBURSEMENTS				
Materials and Supplies	38,000.00	19,644.52	175,000.00	36,949.81
Services and Other	-	-	10,000.00	52,049.90
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	38,000.00	19,644.52	185,000.00	88,999.71
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(18,750.00)	(4,686.34)	(87,053.22)	1,325.58
CASH, JANUARY 1	26,510.63	26,510.63	174,060.02	174,060.02
CASH, DECEMBER 31	\$ 7,760.63	\$ 21,824.29	\$ 87,006.80	\$ 175,385.60

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	LAW ENFORCEMENT		P.A. TRAINING FUND	
	RESTITUTION FUND			
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Charges for Services	\$ 22,000.00	\$ 23,223.27	\$ 900.00	\$ 886.81
Transfers In	-	-	-	-
TOTAL RECEIPTS	22,000.00	23,223.27	900.00	886.81
DISBURSEMENTS				
Postage Machine	2,800.00	3,257.62	-	-
Tuition and Training	-	1,695.61	1,595.00	1,037.04
Technology	69,000.00	19,309.88	-	-
Supplies	-	6,885.34		
Other	-	12,850.46		
Transfers Out	2,000.00	1,025.44	-	-
TOTAL DISBURSEMENTS	73,800.00	45,024.35	1,595.00	1,037.04
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(51,800.00)	(21,801.08)	(695.00)	(150.23)
CASH, JANUARY 1	52,297.67	52,297.67	697.41	697.41
CASH, DECEMBER 31	\$ 497.67	\$ 30,496.59	\$ 2.41	\$ 547.18

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	LAW ENFORCEMENT			
	TRAINING FUND		911 EMERGENCY FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 16,331.00	\$ 4,082.75
Charges for Services	4,000.00	3,455.50	195,000.00	208,790.33
Interest	-	-	-	-
Other	2,000.00	1,483.55	60.00	32.37
Transfers In	-	-	80,000.00	40,000.00
TOTAL RECEIPTS	6,000.00	4,939.05	291,391.00	252,905.45
DISBURSEMENTS				
Salaries	-	-	103,695.40	103,695.40
Employee Fringe Benefits	-	-	42,000.00	22,816.33
Materials and Supplies	-	-	50,500.00	26,817.02
Services and Other	-	-	95,600.00	91,717.92
Training	10,500.00	3,839.47	1,500.00	99.74
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	10,500.00	3,839.47	293,295.40	245,146.41
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(4,500.00)	1,099.58	(1,904.40)	7,759.04
CASH, JANUARY 1	4,578.05	4,578.05	18,178.54	18,178.54
CASH, DECEMBER 31	\$ 78.05	\$ 5,677.63	\$ 16,274.14	\$ 25,937.58

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	INMATE SECURITY FUND		ELECTION SERVICES FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Intergovernmental	\$ 2,000.00	\$ 3,655.00	\$ 2,000.00	\$ 2,912.00
Charges for Services	4,000.00	6,662.70	11,000.00	7,242.27
Interest	-	-	200.00	171.29
Other	-	-	-	11.16
Transfers In	-	-	-	-
TOTAL RECEIPTS	6,000.00	10,317.70	13,200.00	10,336.72
DISBURSEMENTS				
Materials and Supplies	-	-	18,000.00	6,331.85
Mileage and Training	-	-	8,000.00	1,380.69
Inmate Security Expenses	17,000.00	14,575.31	-	-
Other	-	-	10,000.00	4,840.35
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	17,000.00	14,575.31	36,000.00	12,552.89
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(11,000.00)	(4,257.61)	(22,800.00)	(2,216.17)
CASH, JANUARY 1	12,990.29	12,990.29	30,127.43	30,127.43
CASH, DECEMBER 31	\$ 1,990.29	\$ 8,732.68	\$ 7,327.43	\$ 27,911.26

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	COLLECTOR'S TAX MAINTENANCE FUND		RECORDER USER FEE FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Charges for Services	\$ 50,000.00	\$ 50,869.24	\$ 25,000.00	\$ 19,431.75
Interest	-	-	500.00	667.71
Other	-	-	-	-
Transfers In	-	-	7,500.00	7,500.00
TOTAL RECEIPTS	50,000.00	50,869.24	33,000.00	27,599.46
DISBURSEMENTS				
Office Expenses	35,000.00	18,970.34	28,500.00	15,712.66
Equipment	26,000.00	21,241.86	20,000.00	17,850.77
Mileage and Training	3,000.00	1,406.54	1,700.00	1,116.76
Other	-	165.00	22,500.00	1,550.00
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	64,000.00	41,783.74	72,700.00	36,230.19
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(14,000.00)	9,085.50	(39,700.00)	(8,630.73)
CASH, JANUARY 1	22,838.88	22,838.88	119,520.15	119,520.15
CASH, DECEMBER 31	\$ 8,838.88	\$ 31,924.38	\$ 79,820.15	\$ 110,889.42

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	SHERIFF'S REVOLVING FUND		L.E.P.C. FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 4,500.00	\$ 4,796.65
Charges for Services	60,000.00	52,788.19	-	-
Interest	-	464.53	-	-
Other	-	-	-	-
Transfers In	-	-	-	-
TOTAL RECEIPTS	60,000.00	53,252.72	4,500.00	4,796.65
DISBURSEMENTS				
Salaries	-	2,103.88	-	-
Fringe Benefits	-	243.68	-	-
Mileage and Training	-	-	3,500.00	-
CCW Expenses	60,000.00	11,155.02	-	-
L.E.P.C. Expenses	5,000.00	9,686.85	4,025.00	887.13
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	65,000.00	23,189.43	7,525.00	887.13
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,000.00)	30,063.29	(3,025.00)	3,909.52
CASH, JANUARY 1	62,562.81	62,562.81	13,033.90	13,033.90
CASH, DECEMBER 31	\$ 57,562.81	\$ 92,626.10	\$ 10,008.90	\$ 16,943.42

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	DOMESTIC VIOLENCE FUND		DOMESTIC CANNIBIS ERADICATION FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 90,000.00	\$ 90,000.00
Charges for Services	7,300.00	7,983.00	-	-
Interest	-	-	-	-
Other	-	-	1,650.00	1,650.00
Transfers In	-	-	-	-
TOTAL RECEIPTS	7,300.00	7,983.00	91,650.00	91,650.00
DISBURSEMENTS				
Grant Expenses	-	-	54,129.00	49,511.48
Other Expenses	-	-	1,500.00	1,562.99
Lafayette House	8,200.00	8,200.00	-	-
Transfers Out	-	-	39,746.78	39,746.78
TOTAL DISBURSEMENTS	8,200.00	8,200.00	95,375.78	90,821.25
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(900.00)	(217.00)	(3,725.78)	828.75
CASH, JANUARY 1	967.00	967.00	3,725.78	3,725.78
CASH, DECEMBER 31	\$ 67.00	\$ 750.00	\$ -	\$ 4,554.53

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
YEAR ENDED DECEMBER 31, 2015

	SENIOR SERVICES		DEVELOPMENTALLY	
	BOARD FUND		DISABLED BOARD FUND	
	2015		2015	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 207,950.00	\$ 214,500.00	\$ 386,500.00	\$ 399,030.87
Intergovernmental	-	290.67	500.00	1,366.30
Interest	50.00	52.63	1,000.00	575.43
Medicaid	-	-	350,000.00	410,897.52
Other	-	-	13,400.00	13,775.64
Transfers In	-	-	-	-
TOTAL RECEIPTS	208,000.00	214,843.30	751,400.00	825,645.76
DISBURSEMENTS				
Senior Services	253,312.00	179,454.50	-	-
Grants	-	-	374,500.00	236,826.27
Office	-	-	166,700.00	143,729.65
Case Management Services	-	-	400,000.00	340,690.89
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	253,312.00	179,454.50	941,200.00	721,246.81
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(45,312.00)	35,388.80	(189,800.00)	104,398.95
CASH, JANUARY 1	57,174.19	57,174.19	245,392.79	245,392.79
CASH, DECEMBER 31	\$ 11,862.19	\$ 92,562.99	\$ 55,592.79	\$ 349,791.74

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
AS OF DECEMBER 31, 2015

	Collector Funds	Prosecuting Attorney	Recorder Funds	Sheriff Funds	Clerk Funds
ASSETS					
Cash and Cash Equivalents	\$ 9,872,005.64	\$ 135.00	\$ 20,583.95	\$ 1,366.00	\$ 3,385.13
Investments	-	-	-	-	-
Total Assets	9,872,005.64	135.00	20,583.95	1,366.00	3,385.13
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	9,872,005.64	135.00	20,583.95	1,366.00	3,385.13
UNRESERVED FUND BALANCES	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,872,005.64</u>	<u>\$ 135.00</u>	<u>\$ 20,583.95</u>	<u>\$ 1,366.00</u>	<u>\$ 3,385.13</u>
	Cemetery Funds	School Fines	Other Tax Entities	Schools	Special Road and Bridge
ASSETS					
Cash and Cash Equivalents	\$ 5,379.07	\$ 8,714.90	\$ 13,702.23	\$ 61,350.23	\$ 3,759.35
Investments	3,500.00	-	-	-	-
Total Assets	8,879.07	8,714.90	13,702.23	61,350.23	3,759.35
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	8,879.07	8,714.90	13,702.23	61,350.23	3,759.35
UNRESERVED FUND BALANCES	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,879.07</u>	<u>\$ 8,714.90</u>	<u>\$ 13,702.23</u>	<u>\$ 61,350.23</u>	<u>\$ 3,759.35</u>
	Tax Sales Surplus	Unclaimed Fees	Total Agency Funds		
ASSETS					
Cash and Cash Equivalents	\$ 43,452.57	\$ 369.77	\$ 10,034,203.84		
Investments	-	-	3,500.00		
Total Assets	43,452.57	369.77	10,037,703.84		
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	43,452.57	369.77	10,037,703.84		
UNRESERVED FUND BALANCES	-	-	-		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 43,452.57</u>	<u>\$ 369.77</u>	<u>\$ 10,037,703.84</u>		

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Lawrence, Missouri ("County"), which is governed by a three-member board of commissioners, was established in 1845 by an Act of the Missouri Territory. In addition to the three Commissioners, there are ten elected Constitutional Officers: Assessor, County Clerk, Collector of Revenue, Coroner, Circuit Clerk, Recorder of Deeds, Prosecuting Attorney, Public Administrator, Sheriff, and Treasurer.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of the County.

The County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Lawrence County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which include a Statement of Receipts, Disbursements and Changes in Cash Balances – All Governmental Funds, Comparative Statements of Receipts, Disbursements and Changes in Cash Balances – Budget and Actual – All Governmental Funds, and Statements of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similarly to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The financial statements are prepared on the regulatory basis of accounting. This basis of accounting recognizes amounts when received or disbursed in cash and differs from accounting principles generally accepted in the United States of America.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budget and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting (concluded)

2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property Taxes (concluded)

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2015, for purposes of taxation, was:

	<u>2015</u>
Real Estate	\$ 289,836,360
Personal Property	98,226,416
Railroad and Utilities	<u>51,664,323</u>
	<u>\$ 439,727,099</u>

During 2015, the County Commission approved a \$0.7376 tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year, for purpose of County taxation, as follows:

	<u>2015</u>
General Revenue Fund	\$ 0.1206
Special Road and Bridge Fund	0.0705
Common I Fund	0.1996
Common II Fund	0.2080
Senior Services Board Fund	0.0493
Developmentally Disabled Fund	<u>0.0896</u>
	<u>\$ 0.7376</u>

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note II.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are eliminated due to reporting the financial statements on the regulatory basis of accounting.

Legally required transfers are reported as “transfers in” by the recipient fund and as “transfers out” by the disbursing fund.

II. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed as "Cash" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015, the carrying amount of the County's deposits was \$5,564,136.23 and the bank balance was \$15,865,125.12. The total bank balance as of December 31, 2015, was insured through the Federal Deposit Insurance Corporation and securities set by the County's financial institutions.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2015, as follows:

Statements of Receipts, Disbursements and Changes in Cash–
Governmental Funds:

Deposits	\$ 5,564,136.23
Total Governmental Funds	<u>5,564,136.23</u>

Statement of Assets and Liabilities Arising From Cash
Transactions – Agency Funds:

Deposits	10,034,203.84
Investments	<u>3,500.00</u>
Total Deposits as of December 31, 2015	\$ <u>10,037,703.84</u>

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

II. DEPOSITS AND INVESTMENTS (concluded)

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the year ended December 31, 2015.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of investment credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the year ended December 31, 2015.

III. LONG-TERM DEBT

On March 11, 2010, the County issued Certificates of Participation (COPs) in the amount of \$4,945,000. The maturity of the COPs is April 1, 2016, with a varying interest rate between 1.00% and 3.00%. United Missouri Bank (UMB) is the holder of these COPs. The issuance was for the purpose of refunding the 2007 Certificates of Participation's outstanding balance. The 2007 debt was for the purpose of funding the construction of the County court building.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

III. LONG-TERM DEBT (concluded)

As of December 31, 2015, the Certificates of Participation were paid off.

Description	Balance 12/31/2014	Additions	Payments	Balance 12/31/2015	Interest Paid
Series 2010 COPs	\$ 965,000.00	\$ -	\$ 965,000.00	\$ -	\$ 13,027.50
TOTAL	<u>\$ 965,000.00</u>	<u>\$ -</u>	<u>\$ 965,000.00</u>	<u>\$ -</u>	<u>\$ 13,027.50</u>

IV. CAPITAL LEASES

On January 1, 2014, the County entered into a lease purchase agreement to finance the purchase of a back hoe at a total cost of \$38,801. The agreement requires annual payments of \$10,501 through 2018. The payment includes interest at 3.25%.

On August 20, 2015, the County entered into a lease purchase agreement to finance the purchase of a tractor at a total cost of \$100,770. The agreement requires annual payments of \$21,750 through 2019. The payment includes interest at 3.1%.

Description	12/31/2014	Additions	Payments	12/31/2015	Paid
2014 Backhoe Lease	\$ 38,801.00	\$ -	\$ 9,239.96	\$ 29,561.04	\$ 1,261.04
6115D Utility Tractor	-	100,770.00	20,000.00	80,770.00	-
TOTAL	<u>\$ 38,801.00</u>	<u>\$ 100,770.00</u>	<u>\$ 29,239.96</u>	<u>\$ 110,331.04</u>	<u>\$ 1,261.04</u>

Year Ending December 31,	Interest	Principal	Total
2016	\$ 3,417.44	\$ 28,834.26	\$ 32,251.70
2017	2,520.53	29,731.17	32,251.70
2018	1,595.40	30,656.00	32,251.40
2019	641.09	21,109.61	21,750.70
	<u>\$ 8,174.46</u>	<u>\$ 110,331.04</u>	<u>\$ 118,505.50</u>

V. OPERATING LEASES

On October 1, 2012, the County entered into a lease of office space for the Public Defender. The lease is shared between Lawrence, Barry and Stone counties. The agreement has been renewed on an annual basis since September 2013, with monthly payments by Lawrence County of \$430.

The County entered into a lease of office space for the Prosecuting Attorney's child support division. Monthly payments are to be made in the amount of \$400. The agreement has been renewed on an annual basis since August 1, 1999.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

V. OPERATING LEASES (concluded)

The County entered into a lease of office space for the Women, Infant and Children administration. The County is to make monthly payments of \$200. The lease is renewed annually and will expire on November 30, 2016.

The future payments for operating leases entered into by the County for the year ended December 31, 2015, are as follows:

Year Ending December 31,	WIC	CSEU	Public Defender	Total
2016	Office Rent	Office Rent	Office Rent	
	<u>\$ 2,200.00</u>	<u>\$ 2,800.00</u>	<u>\$ 3,440.00</u>	<u>\$ 8,440.00</u>
	<u>\$ 2,200.00</u>	<u>\$ 2,800.00</u>	<u>\$ 3,440.00</u>	<u>\$ 8,440.00</u>

VI. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2015, are as follows:

	2015	
	TRANSFERS IN	TRANSFERS OUT
General Revenue Fund	\$ 32,825.44	\$ 147,500.00
Special Road and Bridge Fund	-	652,506.82
Capital Improvements Fund	100,000.00	-
Common I Fund	359,615.37	-
Common II Fund	262,891.45	-
Sheriff Special Fund	37,946.78	-
Law Enforcement Restitution Fund	-	1,025.44
911 Emergency Fund	40,000.00	-
Recorder User Fee Fund	7,500.00	-
Domestic Cannabis Eradication Fund	-	39,746.78
TOTAL	<u>\$ 840,779.04</u>	<u>\$ 840,779.04</u>

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

VI. INTERFUND TRANSFERS (concluded)

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Revenue Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VII. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

Plan Description

The Lawrence County's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Lawrence County participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits to employees of participating political subdivisions. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program then in effect for their political subdivision. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance. The LAGERS Board of Trustees establishes the benefit plans and provisions that are available for adoption. The political subdivision's governing body adopts all benefits of the plan.

2015 Valuation

Benefit Multiplier:	1.50%
Final Average Salary:	3 years
Member Contributions:	4%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

VII. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Employees Covered By Benefit Terms

At June 30, 2015, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>
Inactive employees or beneficiaries currently receiving benefits	37	17
Inactive employees entitled to but not yet receiving benefits	11	12
Active employees	<u>55</u>	<u>26</u>
	<u>103</u>	<u>55</u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rate is 5.2% (General) and 1.5% (Police) of annual covered payroll.

Net Pension Liability

The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

Actuarial Assumptions

The total pension liability in the February 28, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary Increase	3.5% to 6.8% including inflation
Investment rate of return	7.25%

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015, valuation were based on the results of an actuarial experience study for the period March 1, 2005, through February 28, 2010.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

VII. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

VII. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Changes in the Net Pension Liability at June 30, 2015

Schedule of Changes in Net Pension Liability and Related Ratios

	General Division	Police Division
A. Total Pension Liability		
1 Service Cost	\$ 160,528	\$ 82,371
2 Interest on Total Pension Liability	375,257	133,673
3 Changes of Benefit Terms	-	-
4 Difference between expected and actual experience of the Total Pension Liability	104,636	(941)
5 Changes of Assumptions	-	-
6 Benefit payments, including refunds of employee contributions	(259,843)	(116,461)
7 Net change in total pension liability	380,578	98,642
8 Total pension liability - beginning	5,224,748	1,860,508
9 Total pension liability - ending	<u>\$ 5,605,326</u>	<u>\$ 1,959,150</u>
B. Plan Fiduciary Net Position		
1 Contributions - employer	\$ 101,521	\$ 28,831
2 Contributions - employee	70,000	34,529
3 Net investment income	123,865	47,421
4 Benefit payments, including refunds of employee contributions	(259,843)	(116,461)
5 Pension plan administrative expense	(8,668)	(4,287)
6 Other (net transfer)	(29,181)	45,038
7 Net change in plan fiduciary net position	(2,306)	35,071
8 Plan fiduciary net position - beginning	6,284,576	2,458,389
9 Plan fiduciary net position - ending	<u>\$ 6,282,270</u>	<u>\$ 2,493,460</u>
C. Net Pension Liability / (Asset)	<u>\$ (676,944)</u>	<u>\$ (534,310)</u>
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	112.08%	127.27%
E. Covered-Employee Payroll	\$ 1,640,146	\$ 874,739
F. Net Pension Liability as a Percentage of Covered Employee Payroll	-41.27%	-61.08%

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

VII. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (concluded)

Sensitivity of Net Pension Liability to the Single Discount Rate

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
General Division:			
Total Pension Liability (TPL)	\$ 6,317,312	\$ 5,605,326	\$ 5,009,149
Plan Fiduciary Net Position	6,282,270	6,282,270	6,282,270
Net Pension Liability / (Asset) (NPL)	<u>\$ 35,042</u>	<u>\$ (676,944)</u>	<u>\$ (1,273,121)</u>

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Police Division:			
Total Pension Liability (TPL)	\$ 2,275,104	\$ 1,959,150	\$ 1,700,093
Plan Fiduciary Net Position	2,493,460	2,493,460	2,493,460
Net Pension Liability / (Asset) (NPL)	<u>\$ (218,356)</u>	<u>\$ (534,310)</u>	<u>\$ (793,367)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the employer recognized pension expense of \$54,074. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	General		Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 82,495	\$ -	\$ -	\$ (781)
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	261,818	-	104,298	-
Total	<u>\$ 344,313</u>	<u>\$ -</u>	<u>\$ 104,298</u>	<u>\$ (781)</u>

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

VIII. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

A. Plan Description

CERF was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in CERF, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

CERF is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs.

Until January 1, 2000, employees hired before January 1, 2000, could opt out of the system. CERF is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101-2271, or by calling 1-573-632-9203.

B. Contributions

Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee.

The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature. During 2015 the County collected and remitted to CERF, employee contributions of \$259,343.24, for the year then ended.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

IX. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$7,752.00 for the year ended December 31, 2015.

X. POST-EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County. As of December 31, 2015, the County had zero COBRA participants.

XI. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County was not involved in any litigation as of the audit report date.

B. Compensated Absences (Vacation and Sick Time)

Lawrence County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is to be reimbursed for unused time at their rate of pay. Sick time is paid for at a rate of \$2 per hour for any unused sick pay over 630 hours. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as inappropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

XII. SUBSEQUENT EVENTS

There are no subsequent events to report as of the audit report date.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

XIII. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

XIV. ACCOUNTING CHANGE

For the year ended December 31, 2015, the County has elected to change its accounting method from a modified cash basis to the regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments and settlements pending (if applicable). The regulatory basis differs from accounting principles generally accepted in the United States of America and is described in Note I of the notes to the financial statements.

XV. PRIOR PERIOD ADJUSTMENT

The fund balance at December 31, 2014, has been restated to reflect a transfer between funds that was reported incorrectly in the prior year. See the table below for the prior year changes to the financial statements:

Description	Recorder User	
	General Revenue Fund	Fee Fund
Net position at December 31, 2014, as previously reported	\$ 808,419.76	\$ 108,372.85
Change in Accounting Principle to account for pension liabilities	(11,147.30)	11,147.30
Net position at December 31, 2014, as restated	\$ 797,272.46	\$ 119,520.15

The financial statements from the prior year did not include two component units that are to be treated as funds to be in compliance with the regulatory basis of accounting. The Senior Services Board Fund and the Developmentally Disabled Board Fund have been included in the financial statements for the year ended December 31, 2015. The prior year financial statements also included the Law Library Fund and the County Clerk Fund as governmental funds. The Law Library Fund is part of the Circuit Clerk's financial records, which are not to be included under the regulatory basis of accounting. The County Clerk Fund has been moved to an agency fund to properly reflect the purpose of the fund.

**SUPPLEMENTARY SCHEDULES
AND
AUDITOR'S REPORT**

STATE COMPLIANCE SECTION

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2015

SCHEDULE OF STATE FINDINGS

- I. There were no state findings noted for the year ended December 31, 2015.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Lawrence, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the County of Lawrence ("County") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [FS 2015-001, FS 2015-002, FS 2015-003]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

July 28, 2016



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To The County Commission
The County of Lawrence, Missouri

Report on Compliance for Each Major Federal Program

We have audited the County of Lawrence's ("County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

July 28, 2016

**THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2015**

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	AMOUNT PASSED THROUGH	DECEMBER 31, 2015 EXPENDITURES
<u>U.S. Department of Agriculture</u>				
Passed Through State Department of Health and Senior Services				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ERS04515059 ERS04516059	\$ - -	\$ 146,419.59 40,632.53
<i>Total CFDA# 10.557.....</i>			-	187,052.12
Total Department of Agriculture			-	187,052.12
<u>U.S. Department of Justice</u>				
Direct Program:				
Domestic Cannabis Eradication/Suppression Program	16.UNKNOWN	2012-119	-	90,000.00
Passed Through State Department of Public Safety:				
Crime Victim Assistance	16.575	2014-SSVF-052-SW 2016-SSVF-051-SW	- -	10,349.00 10,349.00
<i>Total CFDA# 16.575.....</i>			-	20,698.00
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-LLEBG-052	-	9,989.12
Total Department of Justice			-	120,687.12
<u>U.S. Department of Transportation</u>				
Passed Through the Missouri Highway and Transportation Commission				
Highway Planning and Construction	20.205	BRO-B055(25) BRO-B055(26)	- -	317,545.00 33,608.00
<i>Total CFDA# 20.205.....</i>			-	351,153.00
Passed Through the Missouri Department of Transportation				
State and Community Highway Safety	20.600	15-PT-02-117	-	2,630.50
State and Community Highway Safety	20.600	16-PT-02-081	-	451.72
<i>Total CFDA# 20.600.....</i>			-	3,082.22
Alcohol Open Container Requirements	20.607	15-154-AL-101	-	9,020.62
Alcohol Open Container Requirements	20.607	16-154-AL-113	-	439.83
<i>Total CFDA# 20.607.....</i>			-	9,460.45
Passed Through the University of Central Missouri				
Drive Sober or Get Pulled Over	20.616	15-M5HVE-03-035	-	991.66
Click It or Ticket Enforcement Campaign	20.616	15-M2HVE-05-020	-	794.75
July 4th DWI Enforcement Campaign	20.616	15-M5HVE-03-035	-	735.41
St. Patrick's DWI Enforcement Campaign	20.616	15-M5HVE-03-035	-	704.36
Youth Alcohol Enforcement Campaign	20.616	15-M5HVE-03-035	-	815.22
Youth Seat Belt Enforcement Campaign	20.616	15-M2HVE-05-027	-	417.30
<i>Total CFDA# 20.616.....</i>			-	4,458.70
Total Department of Transportation			-	368,154.37
<u>Election Assistance Commission</u>				
Passed Through the State Office of the Secretary of State				
Help America Vote Act Requirements Payments	90.401		-	4,355.55
Total Election Assistance Commission			-	4,355.55

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2015

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY NUMBER</u>	<u>AMOUNT PASSED THROUGH</u>	<u>DECEMBER 31, 2015 EXPENDITURES</u>
<u>U.S. Department of Health and Human Services</u>				
Passed Through the State Department of Health and Senior Services				
Public Health Preparedness & Bioterrorism Response	93.069	AOC012380137	-	31,007.88
Immunization Cooperative Grants	93.268	DH160006017	-	5,370.00
Child Care and Development Block Grant	93.575	DH150008048	-	4,017.25
		DH160014041	-	2,976.19
		ERS220-11056	-	2,795.00
<i>Total CFDA# 93.575.....</i>			-	9,788.44
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.752	ERS16115053	-	5,721.00
Maternal and Child Health Services Block Grant to States	93.994	AOC15380060	-	29,679.18
Passed Through Statement Department of Social Services				
Child Support Enforcement Program	93.563	04MO005	-	162,333.00
Total Department of Health and Human Services			-	243,899.50
<u>U.S. Department of Homeland Security</u>				
Passed through the State Department of Public Safety				
Emergency Management Performance Grants	97.042	2015-EP-00043-063	-	22,254.88
Total Department of Homeland Security			-	22,254.88
TOTAL FEDERAL EXPENDITURES			<u>\$ -</u>	<u>\$ 946,403.54</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the County of Lawrence under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Lawrence, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Lawrence.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unmodified - Regulatory Basis
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes X No
 - b. Significant deficiency(ies) identified? X Yes None Reported
3. Noncompliance material to financial statements noted? Yes X No

B. Federal Awards

1. Internal control over major federal programs:
 - a. Material weakness(es) identified? Yes X No
 - b. Significant deficiency(ies) identified? Yes X None Reported
2. Type of auditor's report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? Yes X No
4. Identification of major federal programs:

Year	CFDA Number(s)	Name of Federal Program or Cluster
2015	20.205	Highway Planning and Construction
2015	93.563	Child Support Enforcement Program

5. Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
6. Auditee qualified as low-risk auditee? Yes X No

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015

II. FINANCIAL STATEMENT FINDINGS

FS 2015-001 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, as amended by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared for the County.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 122 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of responsible officials and planned corrective actions: Lawrence County will work on developing the required documentation of internal controls in the offices of the County. The County Clerk is Gary Emerson, and his office phone number is (417)466-4348.

FS 2015-002 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015

II. FINANCIAL STATEMENT FINDINGS (concluded)

FS 2015-002 Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: Lawrence County will work on developing the required risk assessments of the offices of the County. The County Clerk is Gary Emerson, and his office phone number is (417)466-4348.

FS 2015-003 Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Cause: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in the report.

Views of responsible officials and planned corrective actions: Lawrence County will continue to monitor the separation of duties with the limited resources available to the County.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2015

There were no audit findings related to federal awards for the year ended December 31, 2015.

THE COUNTY OF LAWRENCE
MT. VERNON, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015

I. FOLLOW-UP PRIOR YEAR FINDINGS

2014-001 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Cause: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in the report.

Auditor's Evaluation: The finding has been repeated as financial statement finding FS 2015-003.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

July 28, 2016

To the Board of Commissioners
County of Lawrence

In planning and performing our audit of the regulatory based financial statements of the County of Lawrence (the "County") as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the County's internal control to be significant deficiencies as noted in section I:

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Information Required by Professional Standards

The County's management has provided written responses to the findings in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the County Commission, County Office Holders, the Missouri State Auditor and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

FS 2015-001 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, as amended by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared for the County.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 122 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of responsible officials and planned corrective actions: Lawrence County will work on developing the required documentation of internal controls in the offices of the County. The County Clerk is Gary Emerson, and his office phone number is (417)466-4348.

FS 2015-002 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (concluded)

FS 2015-002 Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: Lawrence County will work on developing the required risk assessments of the offices of the County. The County Clerk is Gary Emerson, and his office phone number is (417)466-4348.

FS 2015-003 Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Cause: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in the report.

Views of responsible officials and planned corrective actions: Lawrence County will continue to monitor the separation of duties with the limited resources available to the County.

II. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 2, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2015 fiscal year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

II. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (continued)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Due to the County applying the regulatory basis of accounting, no estimates are made during the preparation of financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 28, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

II. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

Other Matters

We were engaged to report on the schedule of expenditures of federal awards which accompany the financial statements but are not Required Supplementary Information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the regulatory basis of accounting, the methods of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



Office of Missouri State Auditor
Nicole Galloway, CPA

General Assembly and Supporting Functions

House of Representatives



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the House of Representatives

Personnel Policies and Procedures	Although the House revised its intern and sexual harassment policies after the resignation of the former Speaker of the House following disclosure of his inappropriate relationship with an intern, auditors identified needed improvements in personnel policies and procedures. House policy provides annual leave benefits to its employees that are more generous than those provided to most other state employees. The House also granted employees administrative leave, costing an estimated \$107,000 in fiscal year 2015 and \$142,000 in fiscal year 2014, for days in addition to state holidays although most other state employees do not receive additional days off. The House equal employment opportunity policy does not address requirements regarding the Americans with Disabilities Act, and the House's employee handbook does not provide for employee leave for care of a returning service member as provided by the Family and Medical Leave Act. The House's handbook also does not include a whistleblower policy to protect employees from potential retaliation.
Records Policies	While it is the House's position that the Sunshine Law does not apply to records of individual members, the House has not defined in a policy what records it asserts are specifically closed or open. The House also has not established a written policy regarding email retention. Currently, the House archives email in its system for 6 weeks; however, these retention procedures have not been documented in a policy.
Incomplete Documentation	The House did not completely document salary adjustments provided to some employees. Auditors reviewed supporting documentation and interviewed House officials regarding raises provided to 21 employees and found the House did not adequately document the reasons for raises for 11 of those employees.
Lobbyist Contributions	Members of the House's Interim Committee on Education solicited and received contributions of \$500 from each of two lobbying firms for travel costs of the committee's statewide education tour conducted during September and October 2013. The contributions were used for a \$1,000 bus rental deposit.
House Interim Committee Meeting Minutes	The House did not retain records of meetings for two House interim committees in accordance with the Sunshine Law and House rules. The House could not locate any agendas, minutes, or final reports for the 2014 Interim Committee on Missouri Military Impact and Sustainability and the 2013 Interim Committee on Medicaid Transformation.

Joint Committees

Some House/Senate joint committees did not adequately prepare or retain agendas and/or meeting minutes in accordance with the Sunshine Law. In addition, some committees did not meet or report their activities as required by enabling statutes. Auditors selected 17 joint committees to review the meeting agendas, minutes, and reports produced by the committees in calendar years 2013, 2014, and/or 2015. Eight of the 12 joint committees that held meetings during the period reviewed did not prepare properly detailed minutes and/or agendas. Seven of the 13 joint statutory committees reviewed did not meet and/or report their activities to the General Assembly during the period reviewed as required by enabling statutes.

In the areas audited, the overall performance of this entity was Good .*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

General Assembly and Supporting Functions

House of Representatives

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Appendixes

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Members of the General Assembly, House of Representatives
Jefferson City, Missouri

We have audited certain operations of the General Assembly and Supporting Functions, House of Representatives in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2015 and 2014. The objectives of our audit were to:

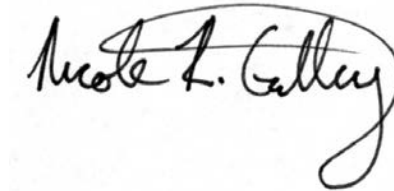
1. Evaluate the House of Representatives' internal controls over significant management and financial functions.
2. Evaluate the House of Representatives' compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the House of Representatives; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the House of Representatives' management and was not subjected to the procedures applied in our audit of the House of Representatives.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the General Assembly and Supporting Functions, House of Representatives.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly distinguishable. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Kim Spraggs, CPA
Audit Manager:	John Lieser, CPA
In-Charge Auditor:	Robert McArthur II
Audit Staff:	Terese Summers, MSAS, CPA
	Shannon Spicer, MBA

General Assembly and Supporting Functions

House of Representatives

Management Advisory Report - State Auditor's Findings

1. Personnel Policies and Procedures

We identified weaknesses in some House of Representatives (House) personnel policies and procedures. In addition, some administrative leave granted to employees during the 2 years ended June 30, 2015, was questionable.

Due to issues noted in prior audits and recent concerns, we performed a review of the House's personnel policies and procedures. In May 2015, the former Speaker of the House resigned after the news media disclosed an inappropriate relationship between he and an intern. This event exposed weaknesses in certain House policies and rules and prompted the House to make changes.

The House determined more frequent sexual harassment training for members was necessary, and revised its sexual harassment policy in November 2015 to require annual training for all members and employees. The House further revised the policy to prohibit romantic relationships between members and employees or interns. The House conducted its first annual all-member sexual harassment training in January 2016.

The November 2015 revision to the sexual harassment policy also requires any sexual harassment complaint against a member (including the Speaker of the House) to be received by the Chief Clerk and investigated by outside legal counsel. The policy requires the results of the investigation to be referred to the Chairman and Ranking Minority Party Member of the Ethics Committee.

The House re-evaluated its intern program policies and procedures and determined changes were needed regarding intern selection, training, and oversight. In November 2015, the House Administration and Accounts Committee (Accounts Committee) approved new intern policies effective January 2016, requiring Accounts Committee review and approval of college intern programs and intern placements; additional training for interns and their supervisors; and designation of an ombudsman to serve as a liaison between interns, House administration, colleges, and intern coordinators. In addition, the administration of the intern program was placed under the House Administration Division and intern coordinators are responsible for ensuring member and intern compliance with the new policies. During each of the 2015 and 2014 legislative sessions, individual members or house administrators accepted about 120 interns to work in the capitol.

Despite the changes made to intern and sexual harassment policies, further improvement in personnel policies and procedures is needed.

1.1 Annual leave

As noted in the previous 3 audits, a House policy provides annual leave benefits to its employees that are more generous than those provided to most



General Assembly and Supporting Functions
House of Representatives
Management Advisory Report - State Auditor's Findings

other state employees. The House annual leave policy provides employees earn 10 hours of annual leave per month during the first 5 years of service. After 5 years, employees earn annual leave at a rate of 14 hours per month. In contrast, most state employees, including Senate employees, earn 10 hours of annual leave per month during the first 10 years of service, increasing to 12 hours per month after 10 years and 14 hours per month after 15 years.

We identified no basis for this policy. The additional annual leave benefits provided to House employees result in increased costs to the state.

1.2 Administrative leave

The House granted employees administrative leave (paid time off) for full business days off in addition to state holidays. Most other state employees are not provided administrative leave for full days off that are not state holidays.

In addition to administrative leave provided for various partial days off, each full-time House employee was provided 3 full days administrative leave in fiscal year 2015 and 4 full days administrative leave in fiscal year 2014. Administrative leave for full days was granted on the business day preceding Christmas Day 2013 and New Year's Day 2014; and the business day following Independence Day 2013, Christmas Day 2014, New Year's Day 2015, and Easter 2014 and 2015. We estimated salary costs (excluding fringe benefits) related to the administrative leave for full days to be \$107,000 for fiscal year 2015 and \$142,000 for fiscal year 2014.

The practice of granting administrative leave for full days off that are not state holidays is costly and questionable considering it is not provided for most other state employees.

1.3 Disabled employees

The House equal employment opportunity (EEO) policy does not address federal requirements regarding the Americans with Disabilities Act (ADA).

Federal regulation 28 CFR Section 35.107(a) requires public entities employing 50 or more persons to designate at least 1 individual to coordinate efforts to comply with responsibilities regarding disabled employees. Federal regulation 29 CFR Section 1630 requires employers employing 15 or more persons to make reasonable accommodations for disabled employees. Federal regulations 28 CFR Sections 35.170 and 35.171 also require public entities employing 50 or more persons to have a grievance procedure.

The House EEO policy provides the House Administration Division as the contact point for matters regarding disabilities, but does not identify a specific ADA coordinator. In addition, while the policy indicates an intention to make reasonable accommodations, the policy does not address



General Assembly and Supporting Functions
House of Representatives
Management Advisory Report - State Auditor's Findings

procedures for documenting and verifying disabilities and requesting, evaluating, approving, and documenting accommodations. Also, the policy does not provide for a grievance procedure for complaints of discrimination based on disability.

To help ensure compliance with the federal law, the House EEO policy should be modified to designate an ADA coordinator, outline procedures for making reasonable accommodations for disabled employees, and establish a grievance procedure for complaints of discrimination.

1.4 Military service members The House Policy Handbook does not provide for employee leave to care for a returning service member as provided by the federal Family Medical Leave Act (FMLA).

The FMLA, 29 U.S.C. Section 2612(a)(3), requires employers to provide employees up to 26 weeks of leave during a single 12-month period to care for a related military service member recovering from an injury or illness sustained while on active duty or for a preexisting serious injury or illness aggravated by active duty in the armed forces. Although legislative employees are not required to be covered under the FMLA, the House, as documented in the House Workplace Handbook, provides FMLA coverage to employees meeting eligibility requirements. To the extent the House has offered FMLA coverage, it must be kept up to date with current law. The House Policy Handbook should be modified to address the FMLA requirement for employee leave to care for a covered service member.

1.5 Network security The House acceptable computer use policy does not address employee connection of personal cell phones and other mobile devices to the House's computer network. The computer use policy prohibits the connection of personal computers to the network, except through approved wireless networks, but does not address connection through personal cell phones or other mobile devices. To protect technology resources from unauthorized use that could result in a loss of information or unauthorized release of information, the House policy should be modified to address access to the network by personal cell phones and other mobile devices.

1.6 Whistleblower rights The House Policy Handbook does not include a whistleblower policy. Section 105.055, RSMo, protects employees from retaliation for discussing alleged prohibited activity under investigation with an investigating authority or reporting mismanagement, waste of funds, abuse of authority, danger to public health and safety, or violations of law. To inform employees of their rights, the House should consider developing and including a whistleblower policy in the House Policy Handbook.



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Recommendations

The House of Representatives:

- 1.1 Amend the House annual leave policy to reduce the annual leave benefits provided to employees to an amount equal to those provided to most other state employees.
- 1.2 Discontinue granting administrative leave to employees for full days off other than state holidays.
- 1.3 Amend the EEO policy to designate an ADA coordinator, outline procedures for making reasonable accommodations for disabled employees, and establish a grievance procedure for complaints of discrimination based on disability.
- 1.4 Amend the House Policy Handbook to address the FMLA requirement for employee leave to care for a covered military service member.
- 1.5 Amend policies to address access to the House computer network by personal cell phone or other mobile device.
- 1.6 Establish a policy addressing employee whistleblower rights under state law.

Auditee's Response

- 1.1 *The Auditor's recommendation suggests that the type and nature of work for employees within the House of Representatives is similar to that of executive branch agency employees and errantly pre-supposes that decisions of the Executive Commissioner of Administration should govern time and leave benefits provided to legislative employees in violation of Article II, Section 1 of the Missouri Constitution which delineates a separation of powers. While the vast majority of Executive Department employees work a regular set schedule, the deadline of the legislative session outlined in Article III, Section 20(a) of the Missouri Constitution ensures that nearly no predictability or regularity of a work week exists for legislative employees.*

Salaries for commensurate positions in Executive Department agencies vastly exceed the salaries for employees within the House of Representatives. By means of comparison, the below table illustrates the existing disparity of compensation and is drawn from FY 2015 actual salary and FTE data (salaries and FTE for the elected officials excluded):



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<i>Overseeing Elected Officials</i>	<i>Total PS Expenditures</i>	<i>FTE</i>	<i>Average Salary</i>
<i>Legislative employees</i>	<i>\$18,752,894</i>	<i>430.58</i>	<i>\$43,553</i>
<i>Attorney General's employees</i>	<i>\$17,025,579</i>	<i>330.80</i>	<i>\$51,468</i>
<i>State Auditor's employees</i>	<i>\$5,964,228</i>	<i>111.46</i>	<i>\$53,510</i>
<i>Lt. Governor's employees</i>	<i>\$259,474</i>	<i>4.47</i>	<i>\$58,048</i>
<i>Governor's employees</i>	<i>\$1,654,391</i>	<i>20.01</i>	<i>\$82,678</i>

As such, House administration has implemented other benefits, including enhanced annual leave benefits and the granting of administrative leave beyond state holidays, to offset the existing compensation disparity between House employees and other state employees.

1.2 *House administration acknowledges the recommendation. See response to 1.1.*

1.3 *House administration acknowledges the recommendation.*

The House has, for more than ten years, consistently designated the Director of Operations as the ADA coordinator and provided contact information on the House website, meeting notices, and other general information regarding accessibility issues. Once contact is made with the ADA coordinator, a review of the accommodation request is initiated, often with consultation from House counsel, and steps are taken to grant the request. A review of the existing policy will be undertaken by House administration to specifically name in the policy, the ADA coordinator, and will review the clarity of the existing policy.

1.4 *House administration acknowledges the recommendation.*

Though exempt from the provisions of FMLA, House administration has adopted a policy applying such provisions of FMLA to employees within the House so as to ensure adequate time and care are taken to provide for employees or their loved ones in difficult family circumstances. House administration believes existing policy is applicable to those employees that care for a covered military service member, but will review and consider the clarity of the existing policy.

1.5 *House administration acknowledges the recommendation.*

Current House policy states: "[t]o protect the State computer network, no personally owned computer equipment will be allowed to connect to the state network unless through approved 'Wi-Fi' wireless networks provided for that purpose." Members and staff



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are not allowed to connect personal equipment like computers, printers, or other peripheral computing devices to the main House network.

To facilitate secure and appropriate network integrity, House administration has maintained a secured, encrypted network portal and mobile access server specifically for the purpose of allowing State Representatives and House staff to access certain data remotely; this is not unlike state agencies in the executive branch. This network is segregated from the existing House network to mitigate risk to the state network. House administration will review and consider the clarity of the existing policy.

1.6 *House administration acknowledges the recommendation.*

Although the provisions of 105.055, RSMo, do not apply to employees of the General Assembly, House administration will review and consider a whistleblower policy.

2. Records Policies

The House has not established policies regarding public access to records related to individual members and email retention.

2.1 Member records

The House has not outlined in a policy which records are open and closed under the Sunshine Law. While it is the House's position that the Sunshine Law does not apply to records of individual members, the House has not defined what records the House asserts are specifically open or closed.

Chapter 610 RSMo, known as the Sunshine Law, provides for public disclosure of records of governmental bodies. The House open records and meetings policy indicates House records are public records unless closed according to state law or House rule; however, the policy, state law and House rules do not specifically address whether member's records are closed. To promote clarity and consistency and ensure compliance with the Sunshine Law, the House policies and/or rules should clearly define which member records the House asserts are not subject to public disclosure.

2.2 Emails

As reported in the prior audit, the House has not established a formal written policy regarding the retention of email correspondence. While the Office of Administration maintains an email archiving system that retains state agency emails forever; currently, the House only archives email correspondence in its system for 6 weeks in accordance with its data backup policies. Any deleted emails are not retained beyond 6 weeks unless they are separately backed up by a House member or employee. However, these retention procedures have not been documented in a policy.



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Certain email correspondences are considered public records and are accessible under the Sunshine Law. Email retention policies are necessary to demonstrate compliance with the Sunshine Law. While the legislature is exempted¹ from following the Secretary of State's Guidelines, Managing Email Records, the guidelines strongly encourage state agencies to implement an email policy that covers usage, content, public access, privacy, and records retention. The guidelines provide specific guidance for identifying emails that meet the criteria for public records and retaining such records, and the need to define these items in an email policy. Without a clear, specific, and adequate email policy, there may be inconsistencies in the understanding and implementation of records retention and accessibility, and the House could be subject to litigation under the Sunshine Law.

Recommendations

The House of Representatives:

- 2.1 Amend the open records and meetings policy and/or rules to identify records the House asserts are not subject to the Sunshine Law.
- 2.2 Establish an email retention policy.

Auditee's Response

- 2.1 *House administration acknowledges the recommendation, and will continue to act in accordance with the Rules of the House and follow the established statutory provisions and case law on this matter.*
- 2.2 *House administration acknowledges the recommendation.*

3. Incomplete Documentation

The House did not completely document salary adjustments provided to some employees. Employee wages totaled approximately \$9 million annually during the 2 years ended June 30, 2015. As of June 30, 2015, the House had 269 full-time, part-time, and session employees.

In addition to cost of living adjustments (COLA)² for all employees and raises to certain employees for meeting conditions in House policy, the House provided 80 salary increases to 66 employees during the 2 years ended June 30, 2015. Also, the House provided raises to all 143 Legislative Assistants effective July 2013. These increases totaled approximately \$256,000 on an annual basis.

¹ Section 109.290, RSMo, and 15 CSR 30-45.010

² Cost of living increases of \$500 in January 2014 and 1 percent in January 2015 were provided to most state employees.



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The House salary adjustments policy provides guidelines for administering salary adjustments. Administrative and leadership position salaries are established and adjusted within ranges using a uniform classification pay grid, approved annually by the Accounts Committee. Legislative Assistant salaries are established and adjusted according to the employee's years of service. The policy provides for salary adjustments for the following reasons (1) one-step adjustment for an administrative employees' successful completion of an initial introductory period, (2) two-step adjustment or placement on the minimum step of a higher pay range for administrative employees who are promoted, and (3) two-step adjustment for administrative staff and legislative assistants who complete the requirements for a college degree (one-step for associates degree). The pay grid authorizes the Chief Clerk to adjust salaries within the approved salary ranges. Except for requiring a memo prepared by a supervisor and approved by the appropriate division director for initial introductory period raises, neither the salary adjustments policy or the approved pay grid address documentation requirements for the other raises.

We reviewed supporting documentation and interviewed House officials regarding raises provided to 21 employees. The House adequately documented the reasons for raises provided to 10 employees tested, including each employee tested who received a raise for a reason provided by policy. Such documentation included an appraisal recommending an increase, an adequately detailed employee change record, and/or a memorandum from the employee's supervisor containing justification for the increase. However, the House did not adequately document the reason for the raises provided to 11 (52 percent) employees tested. The employee change records prepared to support each of the raises awarded to these employees did not adequately detail the reasons for the raises and no additional documentation was prepared to support the raises. House officials provided the following explanations regarding these raises:

- House officials indicated two-step raises were awarded to 4 employees for exceeding requirements on annual performance appraisals; however, these reasons were not documented.
- House officials indicated raises were awarded to 2 employees for assuming additional duties and/or responsibilities of a terminated employee; however, no documentation detailing the specific job duties assigned to these employees was prepared. One employee received a raise of three steps and the other four steps.
- House officials could not explain, or provide documentation supporting raises awarded to 5 employees. Raises for these employees ranged from three to seven steps.



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Chapter 21, RSMo, grants the House the authority to establish employee compensation. To support salary increases beyond those allowed by House policy and statewide COLA increases, the House should prepare and maintain detailed documentation of the reason(s) for providing each pay increase. Salary increases for additional duties and/or responsibilities should be supported by documentation detailing the specific additional duties and/or responsibilities.

Recommendation

The House of Representatives prepare and maintain clearly detailed documentation supporting the reasons for providing pay increases to employees.

Auditee's Response

House administration acknowledges the recommendation.

4. Lobbyist Contributions

The House solicited contributions from lobbyists to offset costs of the 2013 Interim Committee on Education (committee). This situation gives the appearance of, and may result in, a conflict of interest.

During September 2013, committee members solicited and received contributions of \$500 from each of two lobbying firms for travel costs of the committee's statewide education tour conducted during September and October 2013. House officials indicated because House appropriations were not sufficient to fund all costs of the tour, the committee solicited private funds to offset the cost of the bus rental. The contributions were deposited into the House Revolving Fund to reimburse the \$1,000 bus rental deposit paid from that fund. The remainder of the bus rental costs (\$2,280) were paid from the House's General Revenue Fund appropriation.

Actively soliciting contributions from lobbyists to pay for the operations of the House gives the appearance of, and may result in, a conflict of interest. If House appropriations are not sufficient to cover interim committee costs, those costs should be reduced or savings realized elsewhere to allow for the costs.

Recommendation

The House of Representatives discontinue the practice of soliciting contributions from lobbyists to pay for official state business.

Auditee's Response

House administration acknowledges the recommendation.

In January of 2016, the House adopted legislation that would have prohibited the acceptance of lobbyist-financed travel for members of the General Assembly, such as the 2013 Interim Committee on Education noted in the State Auditor's finding. This proposed legislation failed to be Truly Agreed to and Finally Passed. Such House action will be considered when reviewing future expenditures on state business.



5. House Interim Committee Meeting Minutes

Records of meetings were not retained for two of five House interim committees reviewed.

House interim committees are sometimes created by the Speaker of the House to review and report on certain matters affecting state law and government operations during the interim period between successive legislative sessions. Interim committee members are generally appointed by the speaker and/or the minority floor leader. At an initial organizational meeting, a chairperson is selected to lead each interim committee in fulfillment of the interim committee's purpose.

According to the Chief Clerk, 13 House interim committees were created for the 2014 and/or 2013 interim periods. We selected five interim committees to review meeting agendas, meeting minutes, and final reports. For two committees, the 2014 Interim Committee on Missouri Military Impact and Sustainability (MMIS) and the 2013 Interim Committee on Medicaid Transformation (MT), the House could not locate any agendas, minutes, or final reports. According to the Chief Clerk, the MMIS Interim Committee met 3 times during the 2014 interim and the MT Interim Committee met 8 times during the 2013 interim. The Chief Clerk stated records of these committees were prepared, but had been apparently misfiled.

House Rule 28 requires House committees to maintain minutes that contain the attendance and voting records of committee members, a brief statement of the business that comes before the committee, and the names of the persons and witnesses appearing before the committee. The rule requires the Chief Clerk to be the repository of the minutes after each legislative session and submit the minutes to the Secretary of State prior to the next regular session.

Retention of records is essential to demonstrate compliance with the Sunshine Law and House rules. Effective control of records requires all documents and records be safeguarded and accessible to appropriate employees and outside officials, and upon reasonable request, be accessible to the public.

Recommendation

The House of Representatives ensure all interim committee records are properly retained and available for review as required by the Sunshine Law and House rules.

Auditee's Response

House Administration acknowledges the recommendation.

In the summer of 2014, the House began development of a digital system-of-record for the purpose of maintaining and generating committee records in a consistent and proper fashion. On August 14, 2014, an initial software development requirements gathering began and a test pilot of new software



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was initiated during the 2015 session that automated recording of committee actions in a nearly real-time fashion. An expanded version of the digital system was instituted and utilized during the 2016 session that automated nearly all required record keeping. This digital system integrates into other core software systems to reduce time, effort, and duplicate data entry. Further development continues with enhanced features and capabilities for 2017.

6. Joint Committees

Some House/Senate joint committees did not adequately prepare or retain agendas and/or meeting minutes in accordance with the Sunshine Law. In addition, some committees did not meet or report their activities as required by enabling statutes.

Joint committees are sometimes formed to review certain matters affecting state law and government operations, and are comprised of equal numbers of members from the House and the Senate. The committees are often created by legislation that outlines the purpose and size of the committee and usually allows House and Senate leadership to appoint members to the committees. These statutory committees are authorized until the enabling legislation is repealed or, if applicable, a sunset provision is reached. In addition, some joint interim committees are created by the speaker of the House and Senate pro tem to review certain matters during the interim period between successive legislative sessions. The purpose and membership of these committees is determined by leadership of the House and the Senate. A chairperson is selected to lead each joint committee in fulfillment of the joint committee's purpose.

According to the Senate Administrator and Chief Clerk of the House, 32 statutory or interim joint committees were authorized during the 3 years ended December 31, 2015. Twelve statutory committees were repealed by Senate Bill No. 58, First Regular Session, 98th General Assembly, effective in August 2015 because the committees had dissolved or expired as required by their authorizing statutes. We selected 17 statutory and interim joint committees (including 4 repealed committees) to review the meeting agendas, minutes, and reports produced by the committees in calendar years 2013, 2014, and/or 2015.



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Minutes and agendas

Eight³ of the 12 joint committees that held meetings during the period reviewed did not prepare properly detailed minutes and/or agendas as required.

Neither the Senate Administrator nor the Chief Clerk could locate agendas for 10 open meetings held by 4 joint committees, open meeting minutes for 14 meetings held by 6 joint committees, and closed meeting minutes for 1 joint committee meeting. In addition, one joint committee did not properly document in its meeting minutes the members absent or votes taken by roll call. Also, one committee did not always document the roll call vote of each member during the open meeting when voting to go into closed session, and did not document one closed meeting vote by roll call.

Chapter 610 RSMo, known as the Sunshine Law, sets forth requirements for meetings of public governmental bodies. Section 610.020, RSMo, requires a tentative agenda be posted prior to all meetings and requires minutes be maintained of all open and closed meetings. The minutes shall include the date, time, place, members present, members absent, and a record of any votes taken. In addition, Section 610.015, RSMo, requires all votes be recorded; and if a roll call vote is taken, requires that the minutes attribute each "yea" and "nay" vote, or abstinence if not voting, to the name of the individual member. All votes taken in closed session are required to be taken by roll call. Also, Section 610.022, RSMo, provides before any meeting may be closed, the question of holding the closed meeting and the specific reason for the closed meeting shall be voted on during open meeting and a record of the vote of each member should be documented. Compliance with the Sunshine Law is necessary to create transparency and provide proper records of actions and decisions.

Meetings and reports

Seven of the 13 joint statutory committees reviewed did not meet and/or report their activities to the General Assembly during the period reviewed as required by enabling statutes.

- The Joint Committee on Life Sciences, created in 2003 by House Bill No. 465, First Regular Session, 92nd General Assembly, and codified in Section 21.805, RSMo, requires the committee meet quarterly, study necessary legislation, policies, investments, and tax structures to support life sciences, and file an annual report of its activities with the General

³ Joint Committee on Child Abuse and Neglect, Joint Committee on Education, Joint Committee on Legislative Research, Joint Committee on Solid Waste Management District Operations, Missouri Works Job Training Joint Legislative Oversight Committee, Joint Interim Committee on State Employee Wages, Joint Interim Committee on St. Louis Metropolitan Statistical Area Governance and Taxation, and Missouri Oral Chemotherapy Parity Interim Committee



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Assembly. The committee did not meet or file a report during the period reviewed.

- The Joint Committee on MO HealthNet, created in 2007 by Senate Bill No. 577, First Regular Session, 94th General Assembly, and codified in Section 208.952, RSMo, requires the committee to meet as necessary, study the annual MO HealthNet budget forecast, and make recommendations about the program in an annual report to the General Assembly. The committee did not meet or file a report during the period reviewed.
- The Joint Committee on Tax Policy, created in 2003 by House Bill No. 600, First Regular Session, 92nd General Assembly, and codified in Section 21.810, RSMo, requires the committee to make continual study and analysis of tax policies and agencies responsible for administration of tax policy and make recommendations to the General Assembly as necessary. The committee did not meet or file a report during the period reviewed.
- The Joint Committee on Child Abuse and Neglect, created in 2012 by Senate Bill No. 628, Second Regular Session, 96th General Assembly, and codified in Section 21.771, RSMo, requires the committee to meet quarterly, study various aspects of systems for caring for children and investigating abuse, and prepare an annual report of its activities to the General Assembly. While the committee prepared annual reports, the committee did not comply with the meeting requirements in calendar years 2013 and 2014 because the committee met only twice in calendar year 2013 and once in calendar year 2014. Also, meeting minutes were not always properly prepared as noted above. The statute establishing this committee expires in January 2018.
- The Joint Committee on Government Accountability, created in 2004 by House Bill No. 1599, Second Regular Session, 92nd General Assembly, and codified in Section 21.820, RSMo, requires the committee to meet at least 4 times per year, study inefficiencies in state government, and prepare an annual report of its activities to the General Assembly. The committee did not meet during calendar year 2013, met only once in each of calendar years 2014 and 2015, and did not make any report on its activities during the period reviewed.
- Two committees created in 2003, the Joint Committee on General Assembly to Review Economic Stimulus Act and the Joint Committee on General Assembly to Review Rural Economic Stimulus Act, were repealed in August 2015, but did not meet or file reports during the period reviewed prior to repeal.



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Joint committees should meet and/or report as required to ensure they accomplish the purposes for which they were created. State statutes for committees that have fulfilled their original purpose and are no longer needed should be repealed.

Recommendation

The House of Representatives work with the Senate to ensure each joint committee's compliance with the Sunshine Law. Additionally, each committee should meet and prepare reports as required; or if committees are no longer needed for the purposes created, the related statutes should be repealed.

Auditee's Response

The House of Representatives provided the following response:

House administration acknowledges the recommendation. Based on Article III, Section 18 of the Missouri Constitution, House administration believes the operation of legislative committees as a matter of proceedings committed to the legislative branch of government. This view is supported by current case law. However, the House will work with the Senate to continue to review joint committees to ensure committees reflect current public policy needs and priorities.

The Senate provided the following response:

Based on Article III, Section 18 of the Missouri Constitution, the Missouri Senate views the operation of legislative committees as a matter of proceedings committed to the legislative branch of government. This view is supported by current case law. However, the Senate will work with the House to continue to review joint committees to ensure committees reflect current public policy needs and priorities.

General Assembly and Supporting Functions

House of Representatives

Organization and Statistical Information

Legislative power in Missouri is vested by Article III, Section 1, Missouri Constitution, in the General Assembly, more commonly known as the legislature, composed of the Senate and the House of Representatives (House).

The House consists of 163 members elected for 2-year terms at each general election. A member must be at least 24 years of age, and a qualified voter of the state for 2 years and of the district he/she represents for 1 year. The speaker of the House is the presiding officer; and in the speaker's absence, the speaker pro tem presides. The speaker has general supervision and control over all employees of the House. The House convenes annually on the first Wednesday following the first Monday in January and adjourns on May 30, with no consideration of bills after 6:00 p.m. on the first Friday after the second Monday in May.

Top House leadership positions include the speaker, speaker pro tem, majority floor leader, and minority floor leader. The speaker and speaker pro tem are allowed to hire a chief of staff and the majority floor leader is allowed to hire an additional administrative assistant.

For the 2 years ended June 30, 2015, members received the following compensation:

Position	Year Ended June 30,	
	2015	2014
Speaker of the House	\$ 38,415	38,415
Speaker Pro Tem and floor leaders	37,415	37,415
All remaining members	35,915	35,915

Each member is paid a per diem each day the member is in attendance at the legislative session. In addition, members are reimbursed for each mile traveled when commuting to and from Jefferson City for each week the legislature is in session. For the 2 years ended June 30, 2015, members were authorized the following per diem and mileage reimbursement:

Effective Dates	Per Diem	Mileage Rate
July 2013 to September 2013	\$ 98.40	.37
October 2013 to June 2015	103.20	.37

For the 2 years ended June 30, 2015, members also received a \$700 monthly allowance to be utilized in the performance of their official duties. This allowance is established by the House Administration and Accounts Committee and is subject to the limitations imposed by the appropriation authorizing these expenditures, and may be used for items including, but not limited to, office furniture and equipment; office supplies; postage; non-



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session travel expenses; and district office rent, utilities, and staff compensation.

The House determines its own rules and procedures; and rules may not be dispensed with, except by unanimous consent or concurrence by a constitutional majority. The House is required to keep a daily journal (or record) of its proceedings.

The speaker of the House is chosen by the members; Former Representative Timothy Jones served as Speaker from September 2012 to December 2014, and Former Representative John J. Diehl, Jr. served as Speaker from January 2015 to May 14, 2015. Representative Todd Richardson has served as Speaker since May 15, 2015.

The speaker also appoints and approves members to the Administration and Accounts Committee that controls the financial obligations and business affairs of the House. The committee also prescribes rules governing the expenditure of funds allotted to individual members for the operation of their offices. Former Representative Dwight Scharnhorst served as Chairman of the committee from January 2013 to December 2014. Representative Mike Leara has served as Chairman of the committee since January 2015.

The chief clerk is elected by House members and serves as the chief administrator of the House. He is responsible for maintaining the financial records and overseeing operations of the House. Adam Crumbliss has served as Chief Clerk since July 2006.

The House is organized into seven divisions consisting of: administration, appropriations, communications, information systems, operations, procedures, and research. At June 30, 2015, the House had 118 full-time employees, 126 full-time legislative assistants, and 25 part-time and session employees.

Appendix A

General Assembly and Supporting Functions

House of Representatives

House of Representatives Revolving Fund

Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments

	Year Ended June 30,	
	2015	2014
RECEIPTS		
Vendor refunds	\$ 947	8
Other refunds	143	0
Recovery costs	15,982	16,666
Fees for copying public records	61	219
Total Receipts	<u>17,133</u>	<u>16,893</u>
DISBURSEMENTS		
In-state travel	0	1,000
Supplies	28,452	52
Maintenance and repair services	0	2,296
Miscellaneous expense	0	1,898
Total Disbursements	<u>28,452</u>	<u>5,246</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(11,319)</u>	<u>11,647</u>
CASH AND INVESTMENTS, JULY 1	<u>11,647</u>	<u>0</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 328</u>	<u>11,647</u>

Appendix B

General Assembly and Supporting Functions

House of Representatives

Comparative Statement of Appropriations and Expenditures

		Year Ended June 30,					
		2015			2014		
		Appropriation		Lapsed	Appropriation		Lapsed
		Authority	Expenditures	Balances	Authority	Expenditures	Balances
GENERAL REVENUE FUND							
House contingent expenses	\$	10,987,534	10,872,505	115,029	10,882,046	10,872,955	9,091
Representatives' expense vouchers		1,370,176	1,163,632	206,544	1,369,834	1,365,477	4,357
Representatives' salaries		5,861,145	5,785,367	75,778	5,861,145	5,781,135	80,010
Representatives' mileage		395,491	306,690	88,801	395,491	317,545	77,946
Representatives' per diems		1,290,960	1,134,478	156,482	1,290,960	1,149,880	141,080
National Conference of State Legislatures		240,000	201,662	38,338	0	0	0
Total General Revenue Fund		20,145,306	19,464,334	680,972	19,799,476	19,486,992	312,484
HOUSE OF REPRESENTATIVES REVOLVING FUND							
Contingent expenses		45,000	28,452	16,548	45,000	5,246	39,754
Total All Funds	\$	20,190,306	19,492,786	697,520	19,844,476	19,492,238	352,238

Appendix C

General Assembly and Supporting Functions

House of Representatives

Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2015	2014	2013	2012	2011
Salaries and wages	\$ 15,091,522	15,017,811	14,876,339	14,523,612	14,720,068
Legislative per diems	1,134,478	1,149,880	1,135,576	1,347,054	1,142,834
Travel, in state	484,907	515,423	486,097	569,477	535,648
Travel, out-of-state	41,203	20,013	21,537	7,209	16,008
Supplies	963,785	1,158,194	1,033,384	546,555	1,148,653
Professional development	259,560	42,135	101,353	44,252	40,122
Communication services and supplies	62,112	66,038	107,445	198,067	208,097
Services:					
Professional	826,902	854,724	614,080	670,227	714,308
Housekeeping and janitorial	123,685	124,248	118,615	125,942	133,494
Maintenance and repair	172,524	158,110	549,672	308,580	93,096
Equipment:					
Computer	188,354	297,886	193,996	344,644	364,788
Office	33,367	28,410	67,965	16,741	22,844
Other	28,620	4,007	21,402	24,162	956
Property and improvements	10,239	14,994	37,813	30,257	18,321
Debt service	2,079	2,252	1,906	2,252	0
Building lease payments	0	0	0	0	7,998
Miscellaneous	69,449	38,113	61,909	52,356	53,337
Refunds	0	0	0	0	93
Total	\$ <u>19,492,786</u>	<u>19,492,238</u>	<u>19,429,089</u>	<u>18,811,387</u>	<u>19,220,665</u>

Appendix D

General Assembly and Supporting Functions
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Statement of Changes in General Capital Assets

	<u>Equipment</u>	<u>Vehicles</u>	<u>Software</u>	<u>Total</u>
Balance, July 1, 2013	\$ 1,408,604	20,760	76,294	1,505,658
Additions	76,899	0	8,173	85,072
Dispositions	<u>(34,762)</u>	<u>0</u>	<u>0</u>	<u>(34,762)</u>
Balance, June 30, 2014	1,450,741	20,760	84,467	1,555,968
Additions	107,819	0	16,612	124,431
Dispositions	<u>(53,856)</u>	<u>0</u>	<u>0</u>	<u>(53,856)</u>
Balance, June 30, 2015	<u>\$ 1,504,704</u>	<u>20,760</u>	<u>101,079</u>	<u>1,626,543</u>



Office of Missouri State Auditor
Nicole Galloway, CPA

General Assembly and Supporting Functions

Senate



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Senate

Personnel Policies and Procedures	Although the Senate revised its intern and sexual harassment policies and procedures after the resignation of a former senator following allegations of harassment involving a former intern, auditors identified needed improvements in personnel policies and procedures. The Senate's revised sexual harassment policy does not require sexual harassment training be provided periodically to members and employees. Additionally, the Senate has not required members' and part-time session employees to utilize the new electronic timesheet system, and the manual timesheets prepared for members' employees are not adequate. The Senate also granted employees administrative leave, costing up to \$89,000 per year, for days in addition to state holidays although most other state employees do not receive additional days off. The Senate's workplace handbook does not provide for employee leave to care for a returning service member as provided by the Family Medical Leave Act and does not include a whistleblower policy to protect employees from potential retaliation.
Records Policies	While it is the Senate's position that the Sunshine Law does not apply to records of individual members, the Senate has not defined in a policy what records it asserts are specifically closed or open. The Senate also has not established a written policy regarding email retention. Currently, the Senate archives email correspondence in its system for 30 days; however, these retention procedures have not been documented in a policy.
Incomplete Documentation	The Senate did not completely document salary adjustments provided to some administration employees. Auditors reviewed supporting documentation and interviewed the Senate administrator regarding raises provided to 17 administration employees and found the Senate did not adequately document the reasons for raises for 4 of those employees.
Senate Administrator's Fund	Despite recommendations in our two prior audits, the Senate continues to maintain the Senate Administrator's Fund in a bank account outside the state treasury for the purpose of soliciting contributions from lobbyists to pay for meals provided to members and employees who work late during legislative sessions. Contributions from lobbyists totaled \$6,500 during the 2 years ended June 30, 2015. The Senate does not have authority to maintain the bank account and administrative duties related to the account are not properly segregated.
Senate Committee Meeting Minutes	The Senate did not adequately prepare or retain meeting minutes for two Senate committees in accordance with the Sunshine Law. Meeting minutes for open and closed sessions of the Administration Committee did not always include the time, place, and members present or absent, and did not always properly document votes taken. The Senate could not locate any meeting minutes for the 2013 Interim Committee on Capital Improvement Assessment and Planning.

Joint Committees	Some Senate/House joint committees did not adequately prepare or retain agendas and/or meeting minutes in accordance with the Sunshine Law. In addition, some committees did not meet or report their activities as required by enabling statutes. Auditors selected 17 joint committees to review the meeting agendas, minutes, and reports produced by the committees in calendar years 2013, 2014, and/or 2015. Eight of the 12 joint committees that held meetings during the period reviewed did not prepare properly detailed minutes and/or agendas. Seven of the 13 joint statutory committees reviewed did not meet and/or report their activities to the General Assembly during the period reviewed as required by enabling statutes.
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In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

General Assembly and Supporting Functions

Senate

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Members of the General Assembly, Senate
Jefferson City, Missouri

We have audited certain operations of the General Assembly and Supporting Functions, Senate in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2015 and 2014. The objectives of our audit were to:

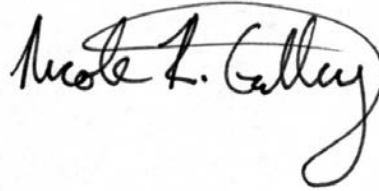
1. Evaluate the Senate's internal controls over significant management and financial functions.
2. Evaluate the Senate's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Senate; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Senate's management and was not subjected to the procedures applied in our audit of the Senate.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the General Assembly and Supporting Functions, Senate.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
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General Assembly and Supporting Functions

Senate

Management Advisory Report - State Auditor's Findings

1. Personnel Policies and Procedures

We identified weaknesses in some Senate personnel policies and procedures. In addition, the Senate does not require a single comprehensive timesheet for all employees and some administrative leave granted to employees during the 2 years ended June 30, 2015, was questionable.

Due to issues noted in prior audits and recent concerns, we performed a review of the Senate's personnel policies and procedures. In August 2015, a former senator resigned after the Senate Administration committee completed an investigation into allegations of sexual harassment involving a former intern. This event exposed weaknesses in certain Senate policies and prompted the Senate to make changes.

The Senate revised its sexual harassment policy effective January 2016, to designate additional mandatory reporters (employees required to report observed or suspected sexual harassment).

The Senate re-evaluated its intern program procedures and determined changes were needed regarding oversight and management of the program. Effective January 2016, the Senate assigned an employee as Intern Coordinator to maintain records of participating interns and schools, monitor for compliance with Senate requirements, coordinate events and orientations, and serve as an additional contact for reporting of complaints. Additionally, the Senate developed new participation guidelines and requirements. According to listings of all capitol interns maintained by the House of Representatives (House), members accepted 37 interns during the 2015 legislative session and 28 interns during the 2014 legislative session.

Despite the changes made to intern and sexual harassment policies, further improvement in personnel policies and procedures is needed.

1.1 Sexual harassment training

The Senate sexual harassment policy does not require sexual harassment training be provided periodically to members and employees. While the policy requires all members and employees to receive sexual harassment training, the policy does not address the frequency of training. Members and employees are generally provided sexual harassment training only once when beginning their first term (members may serve for a maximum of 8 years) or employment. The Senate's revisions to the sexual harassment policy effective January 2016 did not address the need to provide more frequent sexual harassment training to members and employees.

To ensure members and employees remain aware of requirements regarding sexual harassment, the Senate should revise the sexual harassment policy to require periodic training. The House revised its sexual harassment policy in November 2015 to require annual training for all members and employees.



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1.2 Timesheets

The Senate has not required members' employees and part-time salaried employees to utilize the new electronic timesheet system, and the manual timesheets prepared for members' employees are not adequate.

In response to our prior audit recommendation, effective July 2013 the Senate implemented an electronic timesheet system for employees to record time worked and leave used. The system provides for electronic signatures of the employee and his or her supervisor. The system is utilized by all Senate administration employees, except for about 13 part-time salaried employees employed only during the session, who prepare no timesheet. The system is not utilized by members' employees.

Members' employees prepare manual employee authorization forms each pay period that only document the pay rate for salaried and hourly employees, the total number of hours worked for hourly employees, and total leave used for salaried employees. This form is signed by the member, but not the employee. According to the Senate Administrator, adopting the electronic system for use by members' employees has not been considered for approval by the Senate Administration Committee.

Adequately detailed records of actual time worked and leave taken, signed by the employee and his or her supervisor, are necessary to document hours worked, substantiate payroll disbursements, and provide a method to monitor individual attendance. Requiring members' and part-time salaried employees to utilize the electronic timesheet system would help ensure all mandatory and needed time information is properly recorded.

1.3 Administrative leave

The Senate granted employees administrative leave (paid time off) for full business days off in addition to state holidays. Most other state employees are not provided administrative leave for full days off that are not state holidays.

In addition to administrative leave provided for various partial days off, each full-time Senate administration employee was provided 3 full days administrative leave during each of fiscal years 2015 and 2014. Member employees were also provided the administrative leave, subject to approval of the member. Administrative leave for full days was granted on the business day preceding Christmas Day 2013 and Thanksgiving Day 2014; and the business day following Independence Day 2013, New Year's Day 2015, and Easter 2014 and 2015. We estimated salary costs (excluding fringe benefits) related to the administrative leave for full days to be up to \$89,000 for each fiscal year.

The practice of granting administrative leave for full days off that are not state holidays is costly and questionable considering it is not provided for most other state employees.



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1.4 Military service members The Senate Workplace Handbook does not provide for employee leave to care for a returning service member as provided by the federal Family Medical Leave Act (FMLA).

The FMLA, 29 U.S.C. Section 2612(a)(3), requires employers to provide employees up to 26 weeks of leave during a single 12-month period to care for a related military service member recovering from an injury or illness sustained while on active duty or for a preexisting serious injury or illness aggravated by active duty in the armed forces. Although legislative employees are not required to be covered under the FMLA, the Senate, as documented in the Senate Workplace Handbook, provides FMLA coverage to employees meeting FMLA eligibility requirements. To the extent the Senate has offered FMLA coverage, it must be kept up to date with current law. The Senate Workplace Handbook should be modified to address the FMLA requirement for employee leave to care for a covered service member.

1.5 Whistleblower rights The Senate Workplace Handbook does not include a whistleblower policy. Section 105.055, RSMo, protects employees from retaliation for discussing alleged prohibited activity under investigation with an investigating authority or reporting mismanagement, waste of funds, abuse of authority, danger to public health and safety, or violations of law. To inform employees of their rights, the Senate should consider developing and including a whistleblower policy in the Senate Workplace Handbook.

Recommendations

The Senate:

- 1.1 Amend the sexual harassment policy to require periodic training of all members and employees.
- 1.2 Require all employees utilize the electronic timesheet system.
- 1.3 Discontinue granting administrative leave to employees for full days off other than state holidays.
- 1.4 Amend the Senate Workplace Handbook to address the FMLA requirement for employee leave to care for a covered service member.
- 1.5 Establish a policy addressing employee whistleblower rights under state law.

Auditee's Response

- 1.1 *As noted, the Senate has a long-standing policy of requiring members and employees to complete sexual harassment training. The Senate will review employer best practices and consider implementing more frequent training of members and employees.*



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- 1.2 *The electronic timesheet system was developed in response to the previous audit and is currently used by Senate Administration staff to record time worked and leave taken. Before the system was recommended to Senators' office staff for their use, the Senate Administrator wanted to ensure the electronic system was perceived by the State Auditor's Office (SAO) as a leave and reporting system that would meet audit standards.*

The new electronic system requires supervisors to review and approve timesheets for recordkeeping purposes. As the prior audit noted, there were instances where Senate Administration staff did not appropriately sign and approve timesheets. This problem was not noted in Senators' offices. Senators currently provide manual authorization forms signed by supervisors, for each pay period to ensure leave taken and rates of pay are correct.

Expanding the electronic system to include Senators' offices is a significant change to the Senate's current payroll processing process but is worthy of further consideration. Senators and their staff may find the electronic system more convenient than the manual process. Senate Administration staff will provide demonstrations of the electronic system to Senators' offices for feedback from Senators' staff. If after further review, Senators deem the system to better meet the needs of their offices the Senate will consider further implementation of the electronic system.

- 1.3 *Senate staff traditionally work Lincoln's Birthday, Presidents' Day and Truman Day. The Senate does not pay for comp time earned during holidays and not all employees earn comp time for holidays worked. The granting of additional administrative leave replaces these holidays that other state employees receive.*
- 1.4 *The Senate Administration Committee recently requested that Senate policies be comprehensively reviewed and revised as necessary. Amending the Senate Workplace Handbook to address FMLA requirements will be considered and revised during the comprehensive review.*
- 1.5 *As part of the comprehensive policy review, the Senate Administration Committee will consider an employee whistleblower policy.*

2. Records Policies

The Senate has not established policies regarding public access to records related to individual members and email retention.



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2.1 Member records

The Senate has not outlined in a policy which records are open and closed under the Sunshine Law. While it is the Senate's position that the Sunshine Law does not apply to records of individual members, the Senate has not defined what records the Senate asserts are specifically open or closed.

Chapter 610 RSMo, known as the Sunshine Law, provides for public disclosure of records of governmental bodies. The Senate Sunshine Law policy indicates Senate records are public records unless closed according to state law; however, the policy and state law do not specifically address whether member's records are closed. To promote clarity and consistency and ensure compliance with the Sunshine Law, the Senate policies should clearly define which member records the Senate asserts are not subject to public disclosure.

2.2 Emails

As reported in the prior audit, the Senate has not established a formal written policy regarding the retention of email correspondence. While the Office of Administration maintains an email archiving system that retains state agency emails forever; currently, the Senate only archives email correspondence in its system for 30 days in accordance with its data backup policies. Any deleted emails are not retained beyond 30 days unless they are separately backed up by a Senate member or employee. However, these retention procedures have not been documented in a policy.

Certain email correspondences are considered public records and are accessible under the Sunshine Law. Email retention policies are necessary to demonstrate compliance with the Sunshine Law. While the legislature is exempted¹ from following the Secretary of State's Guidelines, Managing Email Records, the guidelines strongly encourage state agencies to implement an email policy that covers usage, content, public access, privacy, and records retention. The guidelines provide specific guidance for identifying emails that meet the criteria for public records and retaining such records, and the need to define these items in an email policy. Without a clear, specific, and adequate email policy, there may be inconsistencies in the understanding and implementation of records retention and accessibility, and the Senate could be subject to litigation under the Sunshine Law.

Recommendations

The Senate:

- 2.1 Amend the Sunshine Law policy to identify records the Senate asserts are not subject to the Sunshine Law.
- 2.2 Establish an email retention policy.

¹ Section 109.290, RSMo, and 15 CSR 30-45.010



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Auditee's Response

- 2.1 *As part of the comprehensive policy review, the Senate Administration Committee will consider amending the Sunshine Law policy to better clarify records not subject to the Law. Records of individual Senators are not subject to the Sunshine Law under cases interpreting that law. This is important because confidential personal information of constituents is often included in records of individual Senators.*
- 2.2 *As part of the comprehensive policy review, the Senate Administration Committee will consider formalizing the current email retention policy.*

3. Incomplete Documentation

The Senate did not completely document salary adjustments provided to some administration employees. Employee wages totaled approximately \$8 million annually during the 2 years ended June 30, 2015. As of June 30, 2015, the Senate had 185 full-time, part-time, and session employees including 105 Senate administration employees and 80 members' employees.

In addition to cost of living adjustments (COLA)² for all employees, the Senate provided 76 salary increases to 65 administration employees during the 2 years ended June 30, 2015. These increases totaled approximately \$246,000 on an annual basis. A significant portion of these raises were given in July 2013 and June 2015 based on documented salary equity studies prepared by the Senate. The equity studies compared Senate administration employees' salaries to salaries of comparable positions in the House and state agencies, and resulted in raises for 43 employees that totaled about \$155,000 annually. The Senate also provided 72 salary increases to 43 members' employees, in addition to COLA increases, during the 2 years ended June 30, 2015. These increases totaled approximately \$364,000 on an annual basis.

The Senate salary administration policy, applicable only to administration employees, provides for discretionary performance-based adjustments to employee salaries upon written recommendation from the employee's supervisor, subject to review and approval by the senate administrator and/or the Administration Committee. The policy provides the extent of the adjustments should be determined by the senate administrator and/or the Administration Committee and should consider salaries of comparable positions in state agencies and the marketplace when applicable.

² Cost of living increases of \$500 in January 2014 and 1 percent in January 2015 were provided to most state employees.



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We reviewed supporting documentation and interviewed the Senate Administrator regarding raises provided to 17 administration employees. The Senate adequately documented the reasons for raises provided to 13 employees tested. Such documentation included a detailed employee change record, a letter or email message from the employee's supervisor justifying the raise, and/or a documented equity study. However, the Senate did not adequately document the reason for the raises provided to 4 (24 percent) employees tested. The employee change records prepared to support each of the raises awarded to these employees did not adequately detail the reasons for the raises and no additional documentation was prepared to support the raises when given. Upon our inquiries, the Senate Administrator subsequently prepared documentation indicating these raises were given for the following reasons:

- Two employees were awarded raises of 11 percent and 35 percent for successful performance after 12 months in their position. However, these reasons were not documented when the raises were given.
- Two employees were awarded raises of 7 percent and 10 percent for assuming additional duties and/or responsibilities of terminated employees; however, no documentation detailing the specific job duties assigned to these employees was prepared when the raises were given.

Chapter 21, RSMo, grants the Senate the authority to establish employee compensation. To support salary increases beyond those allowed by statewide COLA increases, the Senate should prepare and maintain detailed documentation of the reason(s) for providing each pay increase. Salary increases for additional duties and/or responsibilities should be supported by documentation detailing the specific additional duties and/or responsibilities.

Recommendation

The Senate prepare and maintain clearly detailed documentation supporting the reasons for providing pay increases to employees.

Auditee's Response

As reflected in Appendix C, Comparative Statement of Expenditures, the Senate's total personal service expenditures in FY 2015 were \$191,197 less than actual expenditures reported in FY 2011. The Senate strives to maintain employee salaries at an appropriate level to recruit and retain experienced professional staff. Salary adjustments are provided when duties of employees change or when the Senate has difficulty retaining senior staff. The four adjustments noted were well justified increases due to employee retirements and successful completion of probationary periods. As the SAO noted, there was limited written documentation to support the four adjustments. The issue of incomplete documentation for salary adjustments was corrected on January 1, 2015. Senate staff salary adjustments are now



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approved only after completion of written documentation by the employee's supervisor.

4. Senate Administrator's Fund

Lobbyist contributions

Despite recommendations in our two prior audits, the Senate continues to maintain the Senate Administrator's Fund in a bank account outside the state treasury for the purpose of soliciting contributions from lobbyists to pay for meals provided to members and employees. Soliciting contributions from lobbyists gives the appearance of, and may result in, a conflict of interest. In addition, the Senate does not have authority to maintain the bank account and administrative duties related to the account are not properly segregated.

Senate officials solicited and received contributions totaling \$6,500 from lobbyists during the 2 years ended June 30, 2015. The contributions were deposited in the Senate Administrator's Fund and used to pay for meals provided to members and employees who worked late during legislative sessions. These meal costs totaled approximately \$5,800 during the 2 year period. While the Senate discontinued using contributions for retirement dinners and gifts for outgoing members after the prior audit, Senate officials indicated they continue to believe meals should be provided when members and employees work late during session.

Actively soliciting contributions from lobbyists gives the appearance of, and may result in, a conflict of interest. The House does not provide meals to members and employees when they work late.

Bank account

Senate personnel could not provide statutory or other authority to hold the bank account for the Senate Administrator's Fund outside the state treasury. Article IV, Section 15, Missouri Constitution, and Section 30.240, RSMo, require state funds to be held and disbursed by the state treasurer.

Segregation of duties

The duties of preparing and making deposits and preparing bank reconciliations are not adequately segregated. These duties are performed by the Senate Administrator. To safeguard against possible loss or misuse of funds, proper internal controls require segregating the duties of preparing and making the deposits, and reconciling the bank account.

Recommendation

The Senate discontinue the practice of soliciting contributions from lobbyists, and direct the Senate Administrator to close the Senate Administrator's Fund bank account and contact the State Treasurer's Office regarding the proper disposition of remaining funds. Until such disposition occurs, duties should be adequately segregated.

Auditee's Response

The Senate Administrator's account was established to provide a convenient and efficient means of paying for state reimbursable meal expenses incurred during late evening Senate sessions. The account maintains a minimum cash balance and is used in lieu of General Revenue. All account activities are



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transparent, donations are reported by lobbyists to the Ethics Commission, and the detailed documenting of each dollar deposited and expended is now segregated from the review of the bank statement reconciliation. The segregation process was reviewed and revised in response to the SAO audit.

This is a challenging situation because the Senate understands why the SAO recommends closing the account; however, there is no apparent solution that works operationally for the Senate. When the Senate is in session, Senate staff are required to be present until session adjourns and the schedule is such that it's difficult to predict when staff will work in excess of 12 hours. The Senate agrees to continue to review other ways to purchase meals as necessary.

5. Senate Committee Meeting Minutes

Administration committee

The Senate did not adequately prepare or retain meeting minutes for two Senate committees in accordance with the Sunshine Law.

Meeting minutes of the Senate Administration Committee did not always include some required information. This standing committee controls the financial obligations and business affairs of the Senate, and meets monthly.

Meeting minutes for open and closed sessions of the Administration Committee did not always include the time, place, and members present or absent. Also, the minutes did not always properly document votes taken. For example, when voting to go into closed session, some minutes did not document the roll call vote of each member during the open session. Also, closed meeting votes were not always documented by roll call vote of each committee member. In addition, open meeting minutes did not always document the specific section of law allowing a closed meeting.

Interim committees

Meeting minutes were not prepared for one of two Senate interim committees reviewed.

Senate Rule 31 allows the president pro tem to create Senate interim committees to review and report on certain matters affecting state law and government operations during the interim period between successive legislative sessions. Interim committee members are appointed by the president pro tem. At an initial organizational meeting, a chairperson is selected to lead each interim committee in fulfillment of the interim committee's purpose.

According to the Senate Administrator, four Senate interim committees were created for the 2015, 2014 and/or 2013 interim periods. We selected two interim committees to review meeting agendas, meeting minutes, and final reports. For one committee, the 2013 Interim Committee on Capital Improvement Assessment and Planning, the Senate could not locate any



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meeting minutes. According to the Senate Administrator, this committee met 4 times during the 2013 interim.

Conclusion

Chapter 610 RSMo, known as the Sunshine Law, sets forth requirements for meetings of public governmental bodies. Section 610.020, RSMo, requires a journal or minutes of all open and closed meetings. The minutes shall include the date, time, place, members present, members absent, and a record of any votes taken. In addition, Section 610.015, RSMo, requires all votes be recorded, and if a roll call is taken, requires that the minutes attribute each "yea" and "nay" vote, or abstinence if not voting, to the name of the individual member. All votes taken in closed session are required to be taken by roll call. Also, Section 610.022, RSMo, provides that before any meeting may be closed, the question of holding the closed meeting and the specific reason for the closed meeting shall be voted on during open meeting and a record of the vote of each member should be documented.

The Senate Majority Caucus General Counsel asserts the Sunshine Law does not apply to Senate standing committees because the Senate has Constitutional authority to set the rules of its proceedings. The Sunshine Law, however, applies to all governmental bodies, which is defined under Section 610.010, RSMo, to include any legislative entity created under the Missouri Constitution or statutes. Under Section 610.011.1, RSMo, of the Sunshine Law, "It is the public policy of this state that meetings, records, votes, actions, and deliberations of public governmental bodies be open to the public unless otherwise provided by law. Sections 610.010 to 610.200 shall be liberally construed and their exceptions strictly construed to promote this public policy." Additionally, the Senate Sunshine Law policy, adopted February 2008, states the Senate shall comply with the Sunshine Law and the Senate provides Sunshine Law notices for its Administrative Committee and for joint committees. Compliance with the Sunshine Law is necessary to create transparency and provide proper records of actions and decisions.

Recommendation

The Senate ensure Senate Administration Committee meeting minutes include required information and minutes are prepared for all interim committee meetings in accordance with the Sunshine Law.

Auditee's Response

Based on Article III, Section 18 of the Missouri Constitution, the Missouri Senate views the operation of legislative committees as a matter of proceedings committed to the legislative branch of government. This view is supported by current case law. However, the Senate will continue to strive to promote transparency in its internal legislative committee recordkeeping procedures.



6. Joint Committees

Some Senate/House joint committees did not adequately prepare or retain agendas and/or meeting minutes in accordance with the Sunshine Law. In addition, some committees did not meet or report their activities as required by enabling statutes.

Joint committees are sometimes formed to review certain matters affecting state law and government operations, and are comprised of equal numbers of members from the House and the Senate. The committees are often created by legislation that outlines the purpose and size of the committee and usually allows House and Senate leadership to appoint members to the committees. These statutory committees are authorized until the enabling legislation is repealed or, if applicable, a sunset provision is reached. In addition, some joint interim committees are created by the speaker of the House and the Senate pro tem to review certain matters during the interim period between successive legislative sessions. The purpose and membership of these committees is determined by leadership of the House and the Senate. A chairperson is selected to lead each joint committee in fulfillment of the joint committee's purpose.

According to the Senate Administrator and Chief Clerk of the House, 32 statutory or interim joint committees were authorized during the 3 years ended December 31, 2015. Twelve statutory committees were repealed by Senate Bill No. 58, First Regular Session, 98th General Assembly, effective in August 2015 because the committees had dissolved or expired as required by their authorizing statutes. We selected 17 statutory and interim joint committees (including 4 repealed committees) to review the meeting agendas, minutes, and reports produced by the committees in calendar years 2013, 2014, and/or 2015.

Minutes and agendas

Eight³ of the 12 joint committees that held meetings during the period reviewed did not prepare properly detailed minutes and/or agendas as required.

Neither the Senate Administrator nor the Chief Clerk could locate agendas for 10 open meetings held by 4 joint committees, open meeting minutes for 14 meetings held by 6 joint committees, and closed meeting minutes for 1 joint committee meeting. In addition, one joint committee did not properly document in its meeting minutes the members absent or votes taken by roll call. Also, one committee did not always document the roll call vote of each

³ Joint Committee on Child Abuse and Neglect, Joint Committee on Education, Joint Committee on Legislative Research, Joint Committee on Solid Waste Management District Operations, Missouri Works Job Training Joint Legislative Oversight Committee, Joint Interim Committee on State Employee Wages, Joint Interim Committee on St. Louis Metropolitan Statistical Area Governance and Taxation, and Missouri Oral Chemotherapy Parity Interim Committee



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member during the open meeting when voting to go into closed session, and did not document one closed meeting vote by roll call.

Chapter 610 RSMo, known as the Sunshine Law, sets forth requirements for meetings of public governmental bodies. Section 610.020, RSMo, requires a tentative agenda be posted prior to all meetings and requires minutes be maintained of all open and closed meetings. The minutes shall include the date, time, place, members present, members absent, and a record of any votes taken. In addition, Section 610.015, RSMo, requires all votes be recorded; and if a roll call vote is taken, requires that the minutes attribute each "yea" and "nay" vote, or abstinence if not voting, to the name of the individual member. All votes taken in closed session are required to be taken by roll call. Also, Section 610.022, RSMo, provides before any meeting may be closed, the question of holding the closed meeting and the specific reason for the closed meeting shall be voted on during open meeting and a record of the vote of each member should be documented. Compliance with the Sunshine Law is necessary to create transparency and provide proper records of actions and decisions.

Meetings and reports

Seven of the 13 joint statutory committees reviewed did not meet and/or report their activities to the General Assembly during the period reviewed as required by enabling statutes.

- The Joint Committee on Life Sciences, created in 2003 by House Bill No. 465, First Regular Session, 92nd General Assembly, and codified in Section 21.805, RSMo, requires the committee meet quarterly, study necessary legislation, policies, investments, and tax structures to support life sciences, and file an annual report of its activities with the General Assembly. The committee did not meet or file a report during the period reviewed.
- The Joint Committee on MO HealthNet, created in 2007 by Senate Bill No. 577, First Regular Session, 94th General Assembly, and codified in Section 208.952, RSMo, requires the committee to meet as necessary, study the annual MO HealthNet budget forecast, and make recommendations about the program in an annual report to the General Assembly. The committee did not meet or file a report during the period reviewed.
- The Joint Committee on Tax Policy, created in 2003 by House Bill No. 600, First Regular Session, 92nd General Assembly, and codified in Section 21.810, RSMo, requires the committee to make continual study and analysis of tax policies and agencies responsible for administration of tax policy and make recommendations to the General Assembly as necessary. The committee did not meet or file a report during the period reviewed.



General Assembly and Supporting Functions
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- The Joint Committee on Child Abuse and Neglect, created in 2012 by Senate Bill No. 628, Second Regular Session, 96th General Assembly, and codified in Section 21.771, RSMo, requires the committee to meet quarterly, study various aspects of systems for caring for children and investigating abuse, and prepare an annual report of its activities to the General Assembly. While the committee prepared annual reports, the committee did not comply with the meeting requirements in calendar years 2013 and 2014 because the committee met only twice in calendar year 2013 and once in calendar year 2014. Also, meeting minutes were not always properly prepared as noted above. The statute establishing this committee expires in January 2018.
- The Joint Committee on Government Accountability, created in 2004 by House Bill No. 1599, Second Regular Session, 92nd General Assembly, and codified in Section 21.820, RSMo, requires the committee to meet at least 4 times per year, study inefficiencies in state government, and prepare an annual report of its activities to the General Assembly. The committee did not meet during calendar year 2013, met only once in each of calendar years 2014 and 2015, and did not make any report on its activities during the period reviewed.
- Two committees created in 2003, the Joint Committee on General Assembly to Review Economic Stimulus Act and the Joint Committee on General Assembly to Review Rural Economic Stimulus Act, were repealed in August 2015, but did not meet or file reports during the period reviewed prior to repeal.

Joint committees should meet and/or report as required to ensure they accomplish the purposes for which they were created. State statutes for committees that have fulfilled their original purpose and are no longer needed should be repealed.

Recommendation

The Senate work with the House of Representatives to ensure each joint committee's compliance with the Sunshine Law. Additionally, each committee should meet and prepare reports as required; or if committees are no longer needed for the purposes created, the related statutes should be repealed.

Auditee's Response

The Senate provided the following response:

Based on Article III, Section 18 of the Missouri Constitution, the Missouri Senate views the operation of legislative committees as a matter of proceedings committed to the legislative branch of government. This view is supported by current case law. However, the Senate will work with the House to continue to review joint committees to ensure committees reflect current public policy needs and priorities.



General Assembly and Supporting Functions
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The House of Representatives provided the following response:

House administration acknowledges the recommendation. Based on Article III, Section 18 of the Missouri Constitution, House administration believes the operation of legislative committees as a matter of proceedings committed to the legislative branch of government. This view is supported by current case law. However, the House will work with the Senate to continue to review joint committees to ensure committees reflect current public policy needs and priorities.

General Assembly and Supporting Functions

Senate

Organization and Statistical Information

Legislative power in Missouri is vested by Article III, Section 1, Missouri Constitution, in the General Assembly, more commonly known as the legislature, composed of the Senate and the House of Representatives.

The Senate consists of 34 members elected for 4-year terms. Members from odd numbered districts are elected in Presidential election years. Members from even numbered districts are chosen in the "off-year" elections. A member must be at least 30 years of age, and a qualified voter of the state for 3 years and the district he or she represents for 1 year. The Lieutenant Governor is president and presiding officer of the Senate. In the Lieutenant Governor's absence, the president pro tem, who is elected by the Senate members, presides. The Senate convenes annually on the first Wednesday following the first Monday in January and adjourns on May 30, with no considerations of bills after 6:00 p.m. on the first Friday after the second Monday in May.

Senate leadership positions are classified as either a leadership or committee chairman. Senate leadership positions include the president pro tem and the majority and minority floor leaders. The member occupying the position of assistant minority floor leader receives the same allowance as a committee chairman position. The president pro tem, majority floor leader, minority floor leader, and chairman of the Senate Appropriations Committee are allowed to hire an administrative assistant. The president pro tem is authorized to hire a secretary for his administrative assistant, or an additional administrative assistant. The president pro tem and minority floor leader, at their option, may hire legal counsel in lieu of one administrative assistant.

For the 2 years ended June 30, 2015, members received the following compensation:

Position	Year Ended June 30,	
	2015	2014
President Pro Tem	\$ 38,415	38,415
Floor leaders	37,415	37,415
All remaining members	35,915	35,915

Each member is paid a per diem each day the member is in attendance at the legislative session. In addition, members are reimbursed for each mile traveled when commuting to and from Jefferson City for each week the legislature is in session. For the 2 years ended June 30, 2015, members were authorized the following per diem and mileage reimbursement:

Effective Dates	Per Diem	Mileage Rate
July 2013 to September 2013	\$ 98.40	.37
October 2013 to June 2015	103.20	.37



General Assembly and Supporting Functions
Senate
Organization and Statistical Information

Members also receive various annual allowances to be utilized in the performance of their official duties. These allowances are established by the Senate Administration Committee and are subject to the limitations imposed by the appropriation authorizing these expenditures. Maximum allowances have been set by category of expense with the provision that total expenditures for each member do not exceed the total base allowance of \$131,890, \$121,259, and \$112,861 for leadership positions, committee chairman positions, and all remaining members, respectively, for the year ended December 31, 2015. With approval of the Administration Committee, members may spend over the maximum allowance by category and carry unused allowances not exceeding 10 percent of the total allowance to subsequent years. The maximum allowance, by category, for the year ended December 31, 2015, was:

Maximum Allowance	Leadership Positions	Committee	
		Chairman Positions	All Remaining Members
Personal service	\$ 122,214	110,044	101,200
District office	7,200	7,200	7,200
Postage	27,500	27,500	27,500
Travel (1)	3,800	3,800	3,800
Office expense	2,000	2,000	2,000

(1) Each member receives an additional amount for travel calculated at the beginning of each biennial assembly utilizing a formula that considers a member's round-trip mileage between his or her residence and the Capitol and the size of his or her district in square miles. The calculated amount is added to the \$3,800 maximum travel allowance.

The personal service allowance is used to pay the salaries of the members' capitol and district employees. Expenses to maintain a district office, such as rent and telephone charges, are charged against the district office allowance. The postage allowance is used to pay the cost of mailing information related to official state business. Travel expenses incurred in connection with the duties of a member are reimbursable from the travel allowance. The office expense allowance is used to pay for other expenses of a member's capitol and/or district office.

The Senate determines its own rules and procedures and rules may not be dispensed without at least 1 day notice and only by a vote of at least a majority of the Senate. However, a rule may be suspended for a special purpose by a vote of two-thirds majority of the members. This suspension shall remain only until the Senate proceeds to the consideration of business other than that for which the rule was suspended. The Senate is required to keep a daily journal (or record) of its proceedings.

Five members of the Senate are appointed by the president pro tem to serve on the Administration Committee, with the president pro tem serving as ex-



General Assembly and Supporting Functions

Senate

Organization and Statistical Information

officio chairman of the committee. This committee controls the financial obligations and business affairs of the Senate. Senator Tom Dempsey served as Chairman of the committee for the 2 years ended June 30, 2015. The committee employs a senate administrator who is responsible for maintaining the financial records and overseeing operations of the Senate. Jim Howerton served as Senate Administrator from January 2005 until his retirement in January 2015. Marga Hoelscher was named Senate Administrator effective January 2015.

The Senate administration is organized into six divisions consisting of: secretary of senate, appropriations, research, chief financial officer, operations, and communications. At June 30, 2015, the Senate had 160 full-time employees and 25 part-time employees.

Appendix A-2

General Assembly and Supporting Functions

Senate

Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments

Year Ended June 30, 2014

	Senate Revolving Fund	Senate Administrator's Fund
RECEIPTS		
Information sales	\$ 7,820	0
Surplus property sales	3,292	0
Printing service	2,053	0
Vendor refunds	85	0
Recovery costs	1,059	0
Donations	0	2,000
Miscellaneous	85	0
Total Receipts	<u>14,394</u>	<u>2,000</u>
DISBURSEMENTS		
Transfers to General Revenue Fund - State	30,601	0
Staff dinners	0	2,740
Total Disbursements	<u>30,601</u>	<u>2,740</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(16,207)</u>	<u>(740)</u>
CASH AND INVESTMENTS, JULY 1	<u>35,601</u>	<u>1,994</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 19,394</u>	<u>1,254</u>

The monies of the Senate Administrator's Fund are maintained in a separate bank account in the custody of Senate officials.

Appendix B

General Assembly and Supporting Functions

Senate

Comparative Statement of Appropriations and Expenditures

Year Ended June 30,						
	2015			2014		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Senate contingent expenses	\$ 9,045,869	8,646,813	399,056	8,964,991	8,542,972	422,019
Senators' salaries	1,226,610	1,187,696	38,914	1,226,610	1,201,620	24,990
Senators' mileage	87,406	65,476	21,930	87,406	68,419	18,987
Senators' per diems	226,100	226,100	0	226,100	226,100	0
General Assembly:						
Joint contingent equipment and expenses	125,000	125,000	0	125,000	125,000	0
Joint Committee on Administrative Rules	125,269	119,231	6,038	124,268	111,294	12,974
Joint Committee on Public Employee Retirement	165,869	115,204	50,665	164,439	113,992	50,447
Joint Committee on Education -						
Personal service	63,828	49,741	14,087	68,917	67,005	1,912
Expense and equipment	10,789	3,599	7,190	5,158	4,586	572
Total General Revenue Fund	<u>11,076,740</u>	<u>10,538,860</u>	<u>537,880</u>	<u>10,992,889</u>	<u>10,460,988</u>	<u>531,901</u>
SENATE REVOLVING FUND						
Contingent expenses	40,000	0	40,000	40,000	0	40,000
Total All Funds	<u>\$ 11,116,740</u>	<u>10,538,860</u>	<u>577,880</u>	<u>11,032,889</u>	<u>10,460,988</u>	<u>571,901</u>

Appendix C

General Assembly and Supporting Functions

Senate

Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2015	2014	2013	2012	2011
Salaries and wages	\$ 8,879,707	8,874,428	8,908,000	9,045,105	9,070,904
Legislative per diems	241,901	238,110	241,280	280,020	230,880
Travel, in-state	135,730	146,318	134,356	166,750	162,874
Travel, out-of-state	25,362	8,036	8,259	2,834	5,077
Supplies	354,100	404,354	414,636	326,906	295,821
Professional development	185,347	113,593	76,948	69,663	7,220
Communication services and supplies	66,422	73,812	78,150	81,147	84,901
Services:					
Professional	86,490	29,245	47,961	60,007	113,709
Housekeeping and janitorial	89,568	87,146	87,609	86,966	87,399
Maintenance and repair	96,445	123,924	190,492	110,169	123,220
Equipment					
Computer	94,373	232,100	165,325	63,390	99,186
Motorized	0	20,801	0	0	0
Office	21,213	13,091	68,496	25,575	20,755
Other	74,104	10,694	12,148	7,849	42,189
Property and improvements	100,000	0	0	0	0
Building lease payments	15,000	14,400	16,800	36,575	35,696
Equipment rental and leases	50,735	50,656	24,227	7,356	48,734
Miscellaneous expenses	22,363	20,280	25,945	23,260	25,318
Total	\$ <u>10,538,860</u>	<u>10,460,988</u>	<u>10,500,632</u>	<u>10,393,572</u>	<u>10,453,883</u>

Appendix D

General Assembly and Supporting Functions

Senate

Statement of Changes in General Capital Assets

All Funds	Equipment	Vehicles	Total
Balance, July 1, 2013	\$ 1,864,103	22,042	1,886,145
Additions	140,239	20,801	161,040
Dispositions	(221,128)	0	(221,128)
Balance, June 30, 2014	1,783,214	42,843	1,826,057
Additions	65,897	0	65,897
Dispositions	(116,748)	0	(116,748)
Balance, June 30, 2015	\$ <u>1,732,363</u>	<u>42,843</u>	<u>1,775,206</u>

Fund of Acquisition	Balance June 30, 2015
General Revenue Fund	\$ 1,762,506
Senate Revolving Fund	12,700
Total All Funds	\$ <u>1,775,206</u>



Office of Missouri State Auditor
Nicole Galloway, CPA

**Public Higher Education Funding
and Affordability**



CITIZENS SUMMARY

Findings in the audit of Public Higher Education Funding And Affordability

Background

Higher education provides important private and public benefits, and multiple parties are involved in financing higher education costs. The Coordinating Board for Higher Education with support from the Missouri Department of Higher Education (MDHE), provides oversight of public higher education institutions in the state. In 2007, the Missouri General Assembly established the Higher Education Student Funding Act (HESFA), which gives the Coordinating Board and the Commissioner of Higher Education a role in reviewing the tuition setting process. The HESFA limits the amount a public institution may increase in-state undergraduate tuition to the increase in the Consumer Price Index. The MDHE and Coordinating Board are charged with ensuring the 13 Missouri public 4-year institutions and the State Technical College of Missouri are in compliance with the HESFA.

Trends in Public Higher Education Funding

Combined net tuition and fees to attend Missouri's 4-year public institutions have continued to increase at rates faster than inflation since the implementation of the HESFA, while in-state undergraduate tuition alone has grown at rates slower than inflation. To grow overall net tuition, some school officials indicated they have pursued non-resident, graduate, and international students, for whom HESFA doesn't limit tuition increases. National data show in-state undergraduate tuition at Missouri's public 4-year institutions has had the lowest rate of increase of any state in the nation since 2008, and ranked below the national average for in-state undergraduate tuition per full-time student for the 2015-2016 school year. However, institutions have consistently increased supplemental fees as a way to generate additional revenue. Since the implementation of HESFA, supplemental fees at Missouri's 4-year public institutions increased, both overall and per full-time student. From fiscal year 2009 to 2015, supplemental fees have increased 138 percent overall and 112 percent per full time equivalent student.

State appropriations for Missouri's 4-year public institutions decreased 9 percent from 2009 to 2015, even as enrollment has grown by 12 percent. Missouri ranked 43rd nationally in state higher education funding per \$1,000 of personal income for the 2014-2015 school year, and state appropriations per full time equivalent student declined a total of almost 28 percent from 2008 to 2014. To compensate, schools have utilized several strategies to contain spending and improve efficiency, holding the growth in expenditures below the rate of inflation. These measures include administrative savings by not filling vacant positions, freezing merit and cost of living raises, and reducing operating budgets; deferring some capital maintenance needs; and saving on educational services by increasing class sizes and eliminating or combining some departments and programs. The state has approved approximately \$200 million in additional funding during fiscal years 2016 and 2017 to address infrastructure maintenance and improvements at campuses statewide.

Affordability of Public Higher Education

Reductions in state appropriations have resulted in a greater portion of public higher education costs being passed along to students and families. In addition, reductions in overall state grant aid, and specifically reductions in

the amount of need-based aid, have also had a negative impact on the affordability of higher education for students in the state.

Higher Education Student
Funding Act

The MDHE has not formally defined the term "required fees." How this term is defined will have a significant impact on implementation and evaluation of the HESFA, and the affordability of higher education in Missouri. While the MDHE has generally ensured tuition increases follow the HESFA restrictions, procedures to calculate allowable tuition levels are not adequate, tuition and fee information provided by the institutions is not verified, and documentation of the tuition review process is not always maintained.

Because of the nature of this report, no overall rating is provided.

Public Higher Education Funding and Affordability

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Abbreviations

MDHE	Missouri Department of Higher Education
CBHE	Coordinating Board for Higher Education
CPI	Consumer Price Index
FTE	Full Time Equivalent
HESFA	Higher Education Student Funding Act
IPEDS	Integrated Postsecondary Education Data System
SAO	State Auditor's Office
SHEEO	State Higher Education Executive Officers



NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Coordinating Board for Higher Education
and
Zora Mulligan, Commissioner
Department of Higher Education
Jefferson City, Missouri

We have audited certain operations of the Department of Higher Education related to public higher education funding and affordability for Missouri's 4-year public institutions, in fulfillment of our duties under Chapter 29, RSMo. Due to the importance of higher education to Missouri's economy, the affordability and accessibility of higher education is a significant issue. The Higher Education Student Funding Act (HESFA) was implemented to limit tuition growth at the state's 4-year public institutions and ensure the affordability of public higher education. The scope of the audit included, but was not limited to, the 7 years ended June 30, 2015. The objectives of our audit were to:

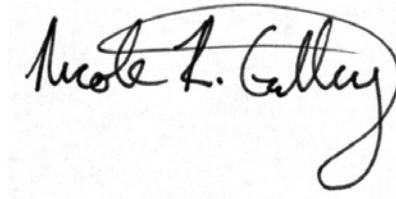
1. Evaluate the internal controls over significant management and financial functions related to the HESFA.
2. Evaluate compliance with certain legal requirements related to the HESFA.
3. Evaluate the impact of the HESFA on public higher education funding for the state's 4-year public institutions, and assess the potential impact of the HESFA on affordability at the state's 4-year public institutions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) internal controls over management functions related to higher education funding and affordability need improvement, (2) no significant non-compliance with legal requirements related to higher education funding and affordability, and (3) various impacts of the HESFA on higher education funding and affordability.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit.

The accompanying Management Advisory Report presents our findings arising from our audit of Public Higher Education Funding and Affordability.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Robert Showers, CPA, CGAP
In-Charge Auditor:	Waleed Atout, MBA
Audit Staff:	Erin Dierksen
	Ruben Lara

Public Higher Education Funding and Affordability

Introduction

Background

Higher education provides important private and public benefits, and multiple parties are involved in financing higher education costs. In terms of private benefit, students may seek a postsecondary degree as a key to a better economic future. However, investments in public higher education are important to the development of Missouri's economy and provide a significant public benefit. State funding, students, and institutions all play important roles in financing higher education costs, thereby influencing affordability. Affordability is an important factor affecting whether students access and complete degrees, and is relative to student or family income. Controlling the growth in tuition and fees can significantly impact the affordability of higher education for students and their families.

State government

State funding is a significant source of revenue for public institutions through state appropriations. Public institutions also receive additional grants or contracts for activities such as research projects and programs that provide financial aid directly to students. State grant aid can be allocated based on financial need or merit (such as grades or test scores). The Missouri Department of Higher Education (MDHE), headed by the Coordinating Board for Higher Education (CBHE), provides oversight of public higher education institutions in the state, evaluates institutions' performance, and carries out other goals and administrative duties. The Missouri General Assembly established the Higher Education Student Funding Act (HESFA) in 2007 under sections 173.1000 to 173.1006, RSMo, to provide the CBHE and the Commissioner of Higher Education a role in reviewing the tuition setting process and to set a limit on the amount by which a public institution may increase in-state undergraduate tuition based on the increase in the Consumer Price Index (CPI). The MDHE administers the HESFA and is charged with ensuring all 13 Missouri public 4-year institutions¹ and the State Technical College of Missouri are in compliance with the provisions of the HESFA.

Public institutions

Public institutions charge tuition and fees, and may also provide aid to students depending on the institution's financial aid programs. These institutions are generally administered by appointed officials and are supported primarily by funding from federal, state, and local sources in addition to revenue from tuition and fees. See Figure 1 for a graph of total revenue sources. While some public institutions may offer 2-year associate's degree programs, others offer 4-year bachelor's degree programs or beyond. As of the 2014-2015 school year, there were 13 public 4-year institutions that enrolled 119,925 full time equivalent (FTE²) students, and there were 14 public 2-year institutions that enrolled 64,381 FTE students for a total of

¹ A list of the public institutions is at Appendix A.

² FTE student is a measure of instructional workload for budgeting and planning purposes. It converts the total number of students served into an equivalent number of full-time students, based on the amount of hours typically designated for full-time enrollment.



Higher Education Funding and Affordability

Introduction

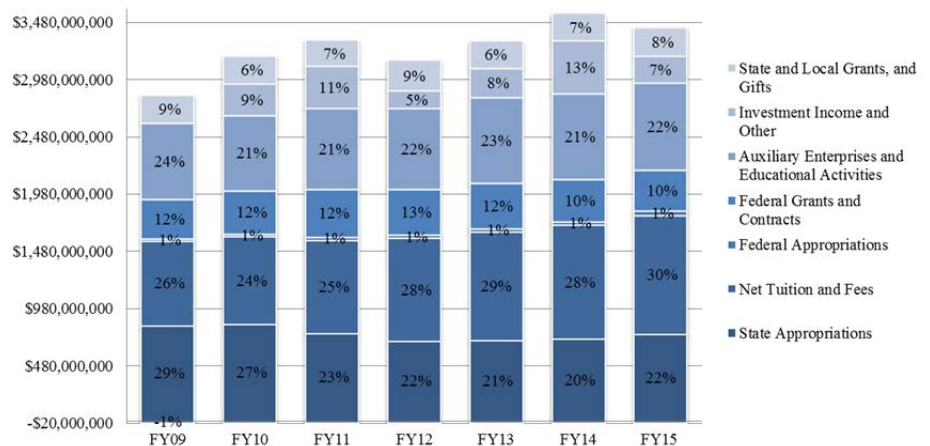
184,306 FTE students. In terms of total students served, the public 4-year and 2-year institutions enrolled approximately 253,000 full and part-time students, or approximately 56 percent of total college enrollment across all college types, including public, private nonprofit, and for-profit colleges.

Students and families

Aside from federal, state, and local funding, institutions generate revenue through tuition and fees paid by students. Students also pay for room and board, textbooks, and school supplies. These services are provided by auxiliary enterprises. To help with higher education costs students may receive grant aid from the state, the federal government, or the institution they are attending, and scholarships from private and public sources. There are different types of students that attend public institutions including resident, non-resident, undergraduate, graduate, and professional students. The level of tuition and fees paid varies for each student type.

Figure 1 depicts total revenues, by source, combined for the public four-year institutions, and the percentage of total revenues for each revenue type, for fiscal years 2009 to 2015.

Figure 1: Revenue by source, fiscal years 2009 to 2015



Source: Integrated Postsecondary Education Data Systems

Additional details on total revenues and total revenues per FTE from fiscal year 2009 through fiscal year 2015 are included at Appendixes B and C.



Higher Education Funding and Affordability Introduction

Scope and Methodology

We obtained data from the MDHE, the Integrated Postsecondary Education Data System (IPEDS),³ the National Association of State Student Grant and Aid Programs and directly from all of Missouri's 4-year public institutions to gain an understanding of trends in higher education funding for the state's 4-year public institutions. Our review of higher education trends focused on identifying trends in annual tuition and fees, state appropriations, state grants and contracts, federal grants and contracts, local gifts and grants, enrollment and expenditures for the 7 years ending June 30, 2015.

We assessed the reliability of the data by comparing the data posted on IPEDS⁴ to the audited financial statements for a sample of four institutions. We determined this information was sufficiently reliable for the purposes of this report.

To provide context for tuition levels at Missouri 4-year public institutions, we obtained tuition data,⁵ state appropriations, and grant aid for other states. We obtained this data from the College Board and the State Higher Education Executive Officers Association (SHEEO). In addition, to determine the factors affecting tuition levels, we interviewed officials at five public 4-year institutions; the University of Central Missouri in Warrensburg, Missouri State University in Springfield, University of Missouri System, Southeast Missouri State University in Cape Girardeau, and Lincoln University in Jefferson City. We also interviewed MDHE officials involved in the evaluation and oversight of tuition and fee increases.

We reviewed and recalculated the tuition and fee increases during each of the 8 years ending June 30, 2016, and interviewed MDHE staff involved in the review of tuition and fee increases, to evaluate internal controls and compliance related to the HESFA.

³ The IPEDS is a system of interrelated surveys conducted annually by the U.S. Department of Education's National Center for Education Statistics. IPEDS gathers information from every college, university, and technical and vocational institution that participates in federal student financial aid programs. The Higher Education Act of 1965, as amended, requires that institutions that participate in federal student aid programs report data on enrollments, program completions, graduation rates, faculty and staff, finances, institutional prices, and student financial aid.

⁴ The IPEDS refers to the institutional fiscal year, and therefore, may vary across institutions. Each survey year institutions report data from the last fiscal year that ended on or before October 31.

⁵ Tuition data presented in this report are adjusted for inflation and presented in constant 2014 dollars unless otherwise noted.

Public Higher Education Funding and Affordability

Management Advisory Report

State Auditor's Findings

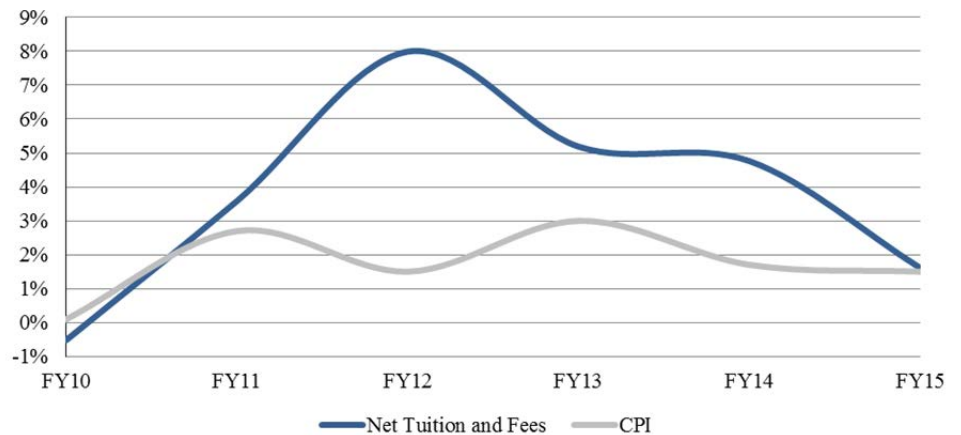
1. Trends in Public Higher Education Funding

Net Tuition and Fees

Figure 1.1: Percent change in net tuition and fees per FTE student versus the CPI, fiscal year 2010 to 2015

Net tuition and fees⁶ to attend Missouri's 4-year public institutions have continued to increase at rates faster than inflation since the implementation of the Higher Education Student Funding Act (HESFA), while in-state undergraduate tuition has grown at rates slower than inflation. State appropriations and state aid to students have decreased from 2009 to 2015, while enrollment at 4-year institutions have increased steadily. Institution expenditures have only increased slightly more than the change in the Consumer Price Index (CPI) over the same timeframe.

Net tuition and fees per FTE student for Missouri's 4-year public institutions for the audit period continued to increase at rates higher than the change in the CPI from fiscal year 2009 to 2015. On average, net tuition and fees per FTE student increased by 3.8 percent per year from fiscal year 2009 to 2015, while the CPI increased by an average of 1.8 percent during the same timeframe.



Source: Prepared by the State Auditor's Office (SAO) using Integrated Postsecondary Education Data Systems (IPEDS) tuition data and CPI data from the United States Department of Labor, Bureau of Labor Statistics

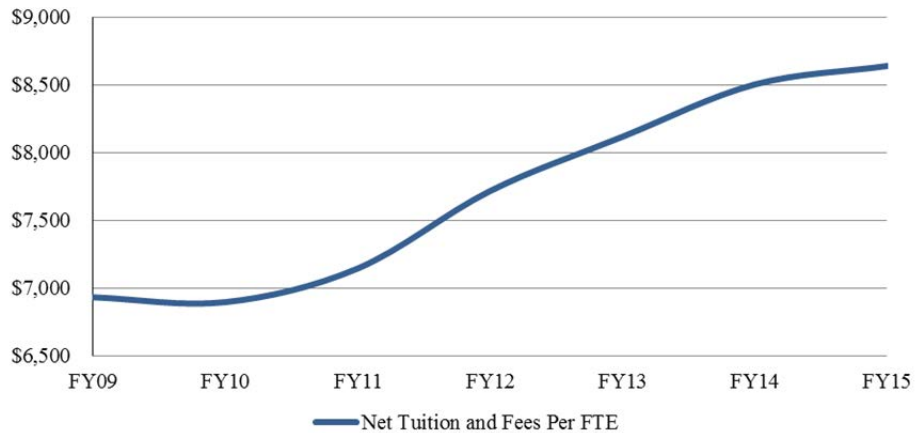
Revenues generated from net tuition and fees in total and per FTE student from fiscal year 2009 through fiscal year 2015 are included at Appendixes E and F. Figure 1.2 shows net tuition and fees per FTE student to attend a Missouri 4-year public institution from fiscal year 2009 to 2015. Net tuition and fees per FTE student increased from \$6,932 in fiscal year 2009 to \$8,638 in fiscal year 2015, or by approximately 25 percent.

⁶The term "net tuition and fees," when used in this section, is defined as the average net tuition and all fees charged to all student types attending a Missouri public institution, including in-state, out-of-state, undergraduate, and graduate students, after deducting aid, discounts and allowances. Amounts presented include required fees charged to students such as technology fees, and all supplemental fees.



Public Higher Education Funding and Affordability Management Advisory Report - State Auditor's Findings

Figure 1.2: Net tuition and fees per FTE student, in dollars, fiscal year 2009 to 2015



Source: Prepared by the SAO using IPEDS tuition data and enrollment information from MDHE

Increases in net tuition and fees are a result of several factors. First, the Coordinating Board of Higher Education (CBHE) granted HESFA penalty waiver requests to 10 of the 13 4-year institutions and the State Technical College of Missouri for increasing tuition above the change in the CPI for fiscal year 2012. The CBHE approved the penalty waivers due to significant cuts to state appropriations in fiscal years 2011 and 2012. Second, institutions have increased and added new supplemental fees charged to students. Also, since the implementation of the HESFA placed limits on tuition increases on undergraduate resident tuition, schools interviewed by auditors pursued additional revenue from certain types of students who pay higher rates of tuition. Officials at two public schools said they actively pursue out-of-state and, in a few cases, international students to keep enrollment levels high and boost tuition revenues because these students typically pay higher tuition. For example, the University of Missouri System's data shows that non-resident undergraduate students attending all four system institutions increased by approximately 50 percent and international undergraduate students attending all four campuses increased by approximately 120 percent during the 7 year period ending June 30, 2015. These students are not subject to the tuition limits of the HESFA since it applies only to in-state undergraduate tuition.

In-State Tuition

National data⁷ shows in-state undergraduate tuition at Missouri's public 4-year institutions have had the lowest rate of increase of any state in the nation since 2008. Compared to other states, Missouri's in-state undergraduate tuition per FTE student for the 2015-2016 school year ranked 22nd lowest in the nation, and slightly lower than the national average.

⁷*Trends in College Pricing 2015*, The College Board, 2015, <<http://trends.collegeboard.org/sites/default/files/2015-trends-college-pricing-final-508.pdf>>, accessed on April 19, 2016.



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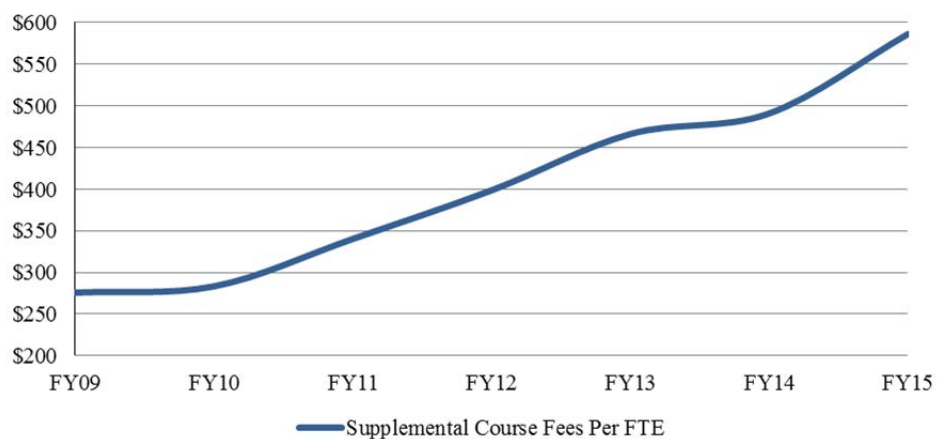
Additional details on in-state undergraduate tuition per FTE, by state, from fiscal year 2008 through fiscal year 2015 are included at Appendix D.

Based on data provided by the Missouri Department of Higher Education (MDHE), average in-state undergraduate tuition rates increased by less than the average change in the CPI since the implementation of the HESFA, increasing 1.6 percent per year from fiscal year 2009 to 2015, versus an average increase in the CPI of 1.8 percent during the same timeframe. While the HESFA has effectively limited increases to in-state undergraduate tuition, it has not limited increases to supplemental fees charged to in-state students.

Supplemental Fees

Based on interviews with officials from public 4-year institutions, institutions are increasingly adding supplemental fees as a way to generate additional revenues. Since the implementation of the HESFA, supplemental fees charged by Missouri's 4-year public institutions increased, both overall and when measured per FTE student. Specifically, supplemental fees for these institutions increased by 138 percent, from \$29.5 million in fiscal year 2009 to \$70.3 million in fiscal year 2015, and by approximately 112 percent per FTE student, from \$276 in fiscal year 2009 to \$586 in fiscal year 2015. While supplemental fees make up approximately 7 percent of net tuition and fees for fiscal year 2015, this percentage has increased from 4 percent in fiscal year 2009. Figure 1.3 shows the increase in supplemental fees per FTE student during the period of fiscal year 2009 through fiscal year 2015. Additional supplemental fees data is included at Appendixes E and F.

Figure 1.3: Supplemental fees per FTE student, in dollars, fiscal years 2009 to 2015



Source: Prepared by the SAO using IPEDS data and enrollment figures from MDHE

Supplemental fees are made up of both course and program fees. Course fees are additional charges, usually authorized by the institutions' Board of Regents for specific courses that have demonstrably higher costs of delivering instruction because of the need for special equipment, supplies, or technology. Program fees are additional amounts charged to students not



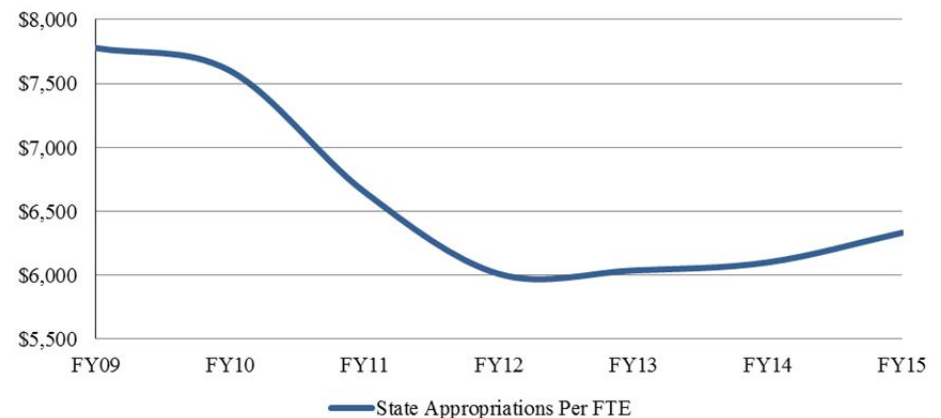
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related to course materials or equipment, including instruction and other expenses not covered by the program's primary funding allocation.

State Appropriations

Since the implementation of the HESFA, state appropriations⁸ provided to 4-year public institutions decreased, both overall and when measured per FTE student. Specifically, state appropriations for these institutions decreased by 9 percent from fiscal year 2009 to fiscal year 2015, from \$832 million to \$759 million. The reductions in state appropriations are more significant when enrollment levels are taken into account. The number of FTE students enrolled in 4-year public institutions rose by approximately 12 percent from school year 2008-2009 to school year 2014-2015. Additional enrollment information is included at Appendix G. Average state appropriations per FTE student⁹ declined from \$7,778 per student in fiscal year 2009 to \$6,332 per student in fiscal year 2015, with an average annual decrease of 3.2 percent. Figure 1.4 shows the change in state appropriations per FTE student during the period of fiscal year 2009 through fiscal year 2015. Additional state appropriations data is included at Appendixes B and C.

Figure 1.4: State appropriations per FTE student, in dollars, fiscal years 2009 to 2015



Source: Prepared by the SAO using IPEDS data and enrollment figures from MDHE

When compared to other states, Missouri ranked 43rd in the nation in state funding for higher education per \$1,000 in personal income. State funding per \$1,000 in personal income was \$4.09 in fiscal year 2015, which ranks below the national average of \$5.55. Additional information about state funding per \$1,000 in personal income and state funding per FTE student by state is available at Appendixes H and I.

⁸ State appropriations include all amounts received by public institutions through acts of a state legislative body, except grants and contracts, and separate capital appropriations. State appropriations also include funds distributed through the performance funding process.

⁹ To calculate state appropriation per FTE student, we divided total state funding to 4-year public institutions by total FTE students for all of these institutions.



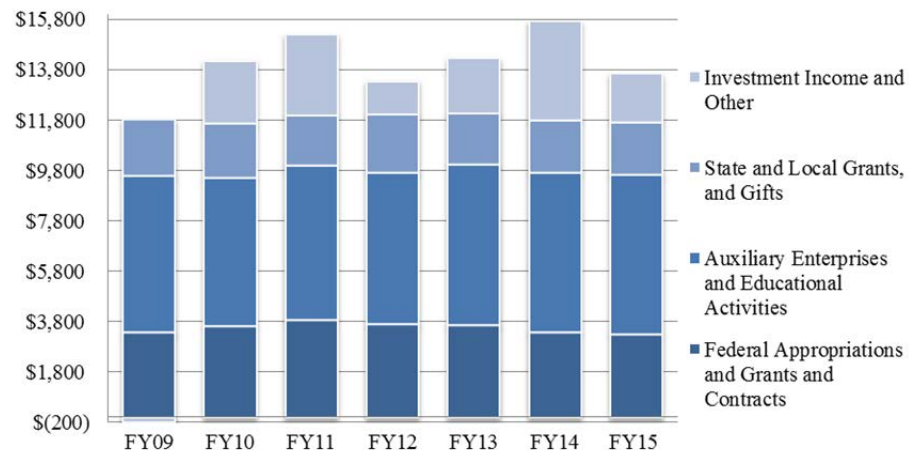
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Other Sources of Revenue

In addition to net tuition and fees and state appropriations, public 4-year institutions receive additional funding in the form of state and federal grants and contracts, sales and services of educational activities, investment income, and auxiliary enterprises, including residence halls, food services, and book stores. Other income from these sources totaled approximately \$1.6 billion in fiscal year 2015.

Other revenue from auxiliary enterprises and government sources have remained relatively consistent over the audit period, increasing an average of 1.7 percent per year from fiscal year 2009 to 2015, and decreasing an average of .2 percent per year per FTE student. The investment income portion of other income has been very volatile, from posting a loss of \$18 million in fiscal year 2009 to \$464 million gain in fiscal year 2014. Figure 1.5 depicts changes in other sources of revenue per FTE student from fiscal year 2009 to 2015. Detail of total other sources of revenues and other sources of revenue per FTE student are available at Appendixes B and C.

Figure 1.5: Other sources of revenue, per FTE student, fiscal year 2009 to 2015



Source: Prepared by the SAO using IPEDS data and enrollment information from MDHE

Expenditures

Expenditures per FTE student at Missouri's 4-year public institutions have increased at rates lower than the change in the CPI. While the change in the CPI for the 6 years ended June 30, 2015 averaged 1.8 percent per year, overall expenses by the institutions per FTE student over the same timeframe increased an average of 1.4 percent per year. Figure 1.6 shows the percent change in Missouri's 4-year public institutions' expenditures per FTE student for the 6 years ending June 30, 2015, compared to the change in the CPI.

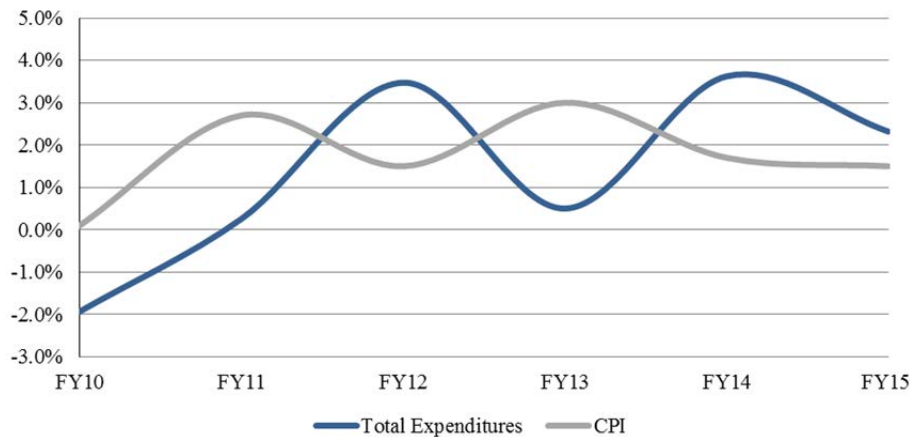
In fiscal year 2015, Missouri's 4-year public institutions spent approximately \$3.4 billion on instructional and non-instructional expenditures. Overall spending per FTE student increased from \$26,248 in fiscal year 2009 to \$28,456 in fiscal year 2015, or by 8.4 percent.



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Figure 1.6: Percent change in expenditures per FTE student versus the change in the CPI, fiscal year 2010 to 2015

Instructional spending¹⁰ made up the largest share of total expenditures at public 4-year institutions, representing approximately 35 percent of total expenditures in fiscal years 2009 through 2015. Instructional expenditures per FTE student increased to \$10,125 in fiscal year 2015, or by approximately 11 percent from fiscal year 2009 through fiscal year 2015.



Source: Prepared by the SAO using IPEDS expenditure data and CPI data from the United States Department of Labor, Bureau of Labor Statistics

The greatest proportion of non-instructional¹¹ spending was devoted to auxiliary enterprises, encompassing approximately 23 percent of total expenditures in fiscal years 2009 through 2015. Other non-instructional expenditures include research and public service expenditures. Research and public service expenditures per FTE student decreased by approximately 19 and 16 percent, respectively from fiscal year 2009 through fiscal year 2015.

Expenditures per FTE student for academic support, which includes expenses for museums, libraries, galleries, audio/visual services, ancillary support, and course and curriculum development, grew at less than 1 percent per year from fiscal year 2009 through fiscal year 2015. Institutional support and student service expenditures per FTE student also increased by an average of 3.4 and 5.7 percent per year, respectively. Institutional support expenditures include expenses for general administrative services, executive direction and planning, as well as legal and fiscal operations. Student services expenditures include expenses for admissions, registrar activities, and activities whose primary purpose is to contribute to students' emotional and physical well-being and to their cultural, and social development outside the context of the formal instructional program.

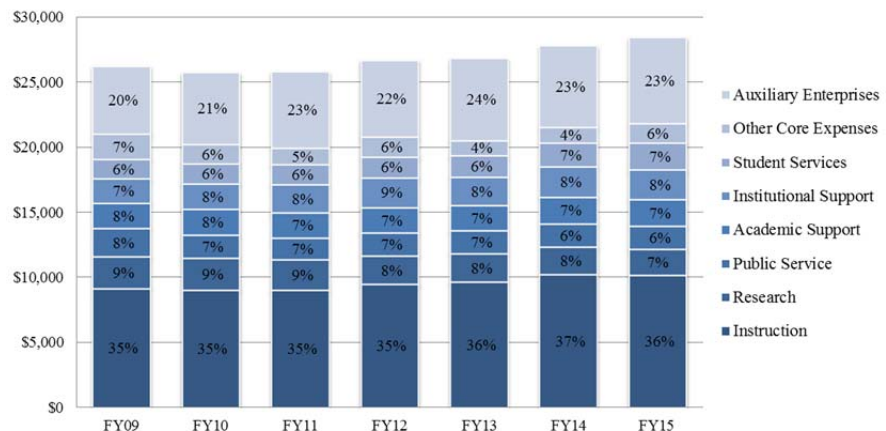
¹⁰Instructional expenditures include faculty compensation and other expenses associated with general academic instruction.

¹¹Non-instructional expenditures include auxiliary enterprises, research, public service, academic support, student services, and institutional support.



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Figure 1.7: Institutional expenditures per FTE, by category, fiscal year 2009 to 2015



Source: Prepared by the SAO using IPEDS expenditure data and enrollment information from MDHE

Cost Controls

Institutions visited by the SAO have adopted a variety of strategies to contain spending and improve the efficiency of their operations. While school officials we spoke with emphasized the importance of maintaining academic quality in spite of fiscal pressures, all five institutions had reduced some courses and class sections. Cost controls include the following:

- **Administrative savings:** Officials from four institutions told us they did not fill vacant positions or add new positions despite enrollment increases. Three institutions also stated merit and cost of living raises were frozen for 3 years. Missouri State University reduced all operating budgets and renegotiated the institution's health care contract. Officials from Missouri State University also indicated the institution falls below the 50th percentile for faculty compensation.
- **Deferred maintenance:** Officials from each institution visited told us spending for capital projects and maintenance had been reduced below desired levels due to declining state appropriations. For example, deferred maintenance at the University of Missouri System has resulted in backlogs of projects totaling approximately \$1.6 billion. In addition, the University of Central Missouri delayed planned projects including new roofing and flooring at some of its facilities. To help address deferred maintenance needs, legislation enacted in 2015 provides approximately \$200 million for infrastructure maintenance and improvements on higher education campuses throughout the state. Distribution of these funds is outside the normal higher education appropriation process during fiscal year 2016 and 2017.



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- Educational services savings: As enrollments rise, institution officials stated they face capacity issues. For example, University of Missouri System officials stated they increased class sizes and increased the students-to-faculty ratio in order to meet student demand. In addition, Southeast Missouri State University officials stated they have undergone several program reviews, and cut academic and non-academic budgets by 10 and 12 percent, respectively, by eliminating and/or combining departments and programs.

Officials from at least 2 of the 5 institutions interviewed indicated additional cost reduction efforts would not be possible without negatively impacting the quality of education programs.

Conclusion

Net tuition and fees have increased at a rate of more than twice the change in the CPI since the HESFA went into effect. This condition has occurred due to the majority of public 4-year institutions increasing tuition well above the change in CPI in fiscal year 2012 in response to reduced state appropriations; increases in supplemental fees; and increases in non-resident, graduate and foreign student tuition. However, in-state undergraduate tuition at Missouri's public 4-year institutions has had the lowest growth rate in the nation since the implementation of the HESFA, and overall in-state undergraduate tuition levels are slightly lower than the national average. On a per FTE student basis, state appropriations have declined since the implementation of the HESFA and have consistently remained below the national average. Expenditures per FTE student by 4-year public institutions has grown at a rate lower than the change in the CPI, even while institutions increased expenditures for instruction, student services and institutional support. However, cost reductions have resulted in deferred maintenance on facilities and increased student-to-teacher ratios.

Auditee's Response

The MDHE provided the following response:

The discussion of "net tuition and fees" in this section, while informative, is far more expansive than the relatively narrow focus of Missouri's HESFA. As a result, this section has little bearing on the effects of HESFA and institutions' compliance with its requirements. HESFA's limits on "tuition and required fees" excludes the following elements of the Auditor's "net tuition and fees":

- *Tuition and fees for out-of-state, international, and graduate students*
- *Study abroad fees*
- *Tuition and fees for internet courses*
- *Fees approved by a vote of the student body through student-initiated referenda*



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- *Supplemental and differential fees charged for courses and programs that have unique expenses (e.g. supplies, equipment, enhanced facilities, etc.)*

Moreover, the report observes that supplemental fees are for specific courses that have demonstrably higher costs of delivering instruction because of the need for special equipment, supplies, or technology, or for programs with higher instructional or other costs. Supplemental fees appear to occupy an increasing share of universities' total revenue streams. The report, however, does not substantiate the claim that institutions are "adding supplemental fees as a way to generate additional revenues," rather than, say, to cover new course offerings, new program offerings, evolving delivery costs or upgrades, or simply reflecting enrollment increases over the audit period.

Auditor's Comment

The statement that institutions are adding supplemental fees as a way to generate additional revenues is substantiated by discussions with institution personnel and with supplemental fee data presented in the report. The significant growth rate of supplemental fees as compared to the moderate growth rate of instructional costs would suggest the increase in fees is not simply a result of an increase in course or program offerings. Additionally, the significant growth rate of supplemental fees, as presented on a per FTE basis, would suggest the increase in fees is also not a result simply of enrollment increases over the audit period.

2. Affordability of Public Higher Education

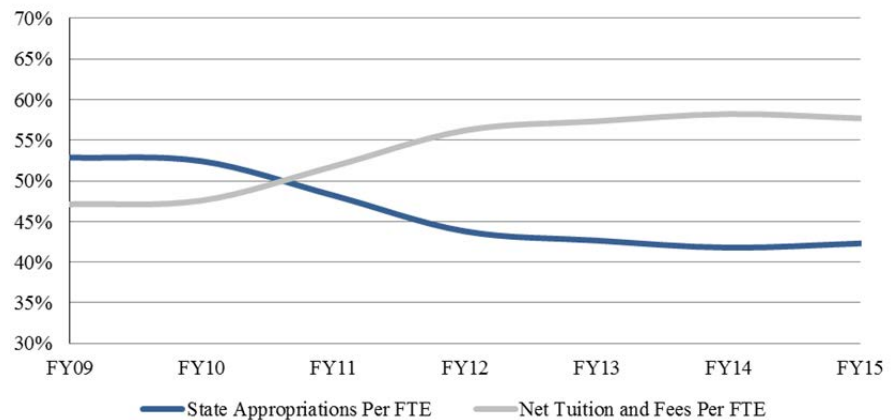
Significant reductions in state appropriations have resulted in a greater portion of public higher education costs being passed along to students and families. In addition, reductions in overall state grant aid, and specifically reductions in the amount of need-based aid, have also had a negative impact on the affordability of higher education for students in the state.

Reduced State Appropriations Significant reductions in state appropriations have resulted in students and families being responsible for a larger share of public higher education costs. When considering total revenues from state appropriations and net tuition and fees, from fiscal year 2009 to fiscal year 2015, the portion contributed by state appropriations decreased from 53 percent in fiscal year 2009 to 42 percent in fiscal year 2015 and the portion contributed by net tuition and fees rose from 47 percent to 58 percent. Figure 2.1 illustrates these changes. Detailed total revenue and revenue per FTE student figures are included at Appendixes B and C.



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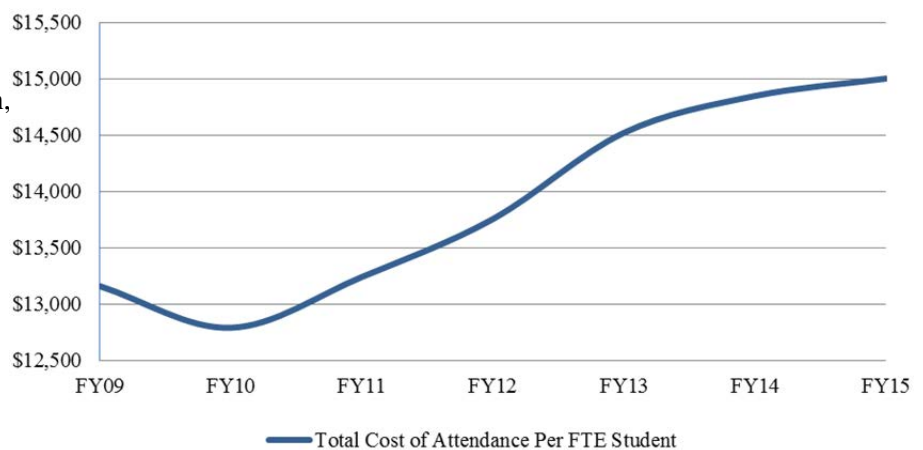
Figure 2.1: Net tuition and fees per FTE student versus state appropriations per FTE student, as percentage of total, fiscal years 2009 to 2015



Source: Prepared by the SAO using IPEDS data and enrollment information from MDHE

While the proportion of higher education costs being passed along to students and families is increasing, the actual dollar amount passed on to students and families is also increasing. The true price of attending one of Missouri's 4-year public institutions is much more than net tuition and fees. Students also pay for room and board, textbooks, and school supplies. The sum of all these expenses is known as the total cost of attendance. Figure 2.2 shows the total cost of attendance per FTE student to attend a 4-year public institution. Total average cost per FTE student increased from \$13,164 per year in fiscal year 2009 to \$15,004 per year in fiscal year 2015, or by an average of 2 percent per year.

Figure 2.2: Total cost of attendance per FTE student to attend a 4-year public institution, in dollars, fiscal year 2009 to 2015



Source: Prepared by the SAO using IPEDS data and enrollment information from MDHE

Officials from 5 institutions indicated the level of state appropriations has a direct impact on the affordability of public higher education. If state appropriations are decreased, tuition and fees must increase. While cost containment efforts have been made, they have not been enough to cover the reduction in state appropriations. As discussed in more detail in MAR



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finding number 1, state appropriations for higher education have decreased from \$831.8 million in fiscal year 2009, to \$759.4 million in fiscal year 2015, or by approximately 9 percent. On a per FTE student basis the decrease is even more significant, decreasing by 3.2 percent per year, or a total of almost 19 percent over the same 7 year period.

State Grant Aid Reductions

The affordability of public higher education has also been negatively impacted by reductions in state grant aid, and more specifically by the state transitioning away from an emphasis on need-based aid to more merit-based aid. Missouri's grant aid programs can be applied to both 4-year and 2-year institutions, with the exception of the A+ Scholarship Program, which can only be used at 2-year institutions (public, private, vocational, or technical).

National data¹² shows total state grant aid in Missouri has decreased at a significantly higher rate than other states. Missouri state grant aid decreased by 17 percent from school year 2008-2009 to school year 2013-2014, while the national median¹³ change in state aid increased by 12 percent during that period. In total, Missouri's total state grant aid per FTE student of \$380 is 46 percent less than the national average of \$710 per student.

While state aid has been declining in total, the portion of state aid based on need has also declined. For the 2008-2009 school year approximately 72 percent of Missouri's state aid was need-based. However, for the 2013-2014 school year the need-based portion of state aid dropped to 56 percent, which is well below the national average of 76 percent. The Access Missouri Financial Assistance Program is the state's primary need-based program for undergraduate students who are Missouri residents. The program is designed to provide a simplified financial aid process, provide predictable, portable awards, and increase the number of schools available to Missouri students. Additional information about need-based grant aid by state is included at Appendix L.

The remaining 44 percent of state grant aid is merit-based aid. Examples of merit-based state grants include the A+ Scholarship Program, Advanced Placement Incentive Grant, and the Bright Flight Program. Merit-based aid programs all require some form of performance requirements, such as achieving a certain grade point average or test score. Since the A+ Scholarship Program makes up approximately 65 percent of the state's merit-based aid, the majority of merit-based aid goes to 2-year institutions.

¹² 45th Annual Survey Report on State-Sponsored Student Financial Aid, National Association of State Student Grant and Aid Program, 2015, <<http://www.nassgap.org/viewrepository.aspx?categoryID=3>>, accessed on April 28, 2016.

¹³ We used the national median rather than the average because significant increases in some states skewed the national average. For example, total aid in Wyoming increased by 1,000 percent during this period.



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Conclusions

Public higher education institutions have implemented cost containment measures, resulting in limited growth in public higher education costs per FTE student, all while servicing an increasing student population and focusing on maintaining an acceptable level of educational quality. With minimal growth in education costs and reductions in state appropriations, public higher education institutions have passed an increased share of costs on to students through tuition and fees. In addition, reductions in overall state grant aid, and specifically reductions to need-based state aid programs have had a negative impact on the affordability of public higher education in the state.

Recommendation

The MDHE should continue to monitor the affordability of higher education in the state, and work with the General Assembly to ensure appropriations for higher education and student aid programs are sufficient to maintain the affordability of higher education for students and families without negatively impacting the quality of educational programs.

Auditee's Response

In a challenging fiscal landscape, Missouri's public universities have streamlined operations while continuing to equip students with the knowledge and skills they need for the future. Students falling outside the scope of HESFA—out-of-state, international, and graduate students—have necessarily borne a greater share of cost increases, which has enabled universities to provide quality education to all.

3. Higher Education Student Funding Act

Improvements in the MDHE's oversight of the HESFA are needed. The MDHE has not promulgated an official rule to define a key term in the HESFA, has not verified tuition data provided by the institutions, and has not maintained documentation of communications with institutions.

The HESFA was established in 2007 under Chapter 173, RSMo, and defined a role in the tuition setting process for the CBHE and the Commissioner of Higher Education. Per the HESFA, institutions that increase tuition and "required fees" at rates in excess of the change in the CPI must either return a portion of their state appropriations to the state or ask the Commissioner to waive the financial penalty in whole or in part.

3.1 Rulemaking Procedures

The MDHE has not formally promulgated a state rule to define the term "required fees." How "required fees" is defined has a significant impact on the implementation of the HESFA, tuition levels, and the affordability of higher education.

After the HESFA became law, the MDHE, along with input from the institutions, created an implementation guide that includes a general description and intent of the HESFA, the statutory language, definitions and acronyms, tuition policy, and procedures relating to tuition. Section 173.1003, RSMo, defines the term "tuition" as the amount of "tuition and



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required fees, excluding any fee established by the student body of the institution." The statute does not further define "required fees." The MDHE's implementation guideline defined "tuition" as "the amount an institution charges per semester for each of two semesters. Per semester tuition shall be the average dollar amount an institution charges each Missouri resident undergraduate student enrolled in 15 credit hours plus each student's required fees; provided, however, that tuition shall include only the fees required of all undergraduate students and shall not include course-specific or program fees." Based on this definition, the MDHE only considers tuition and any fees charged to all undergraduate students evenly when determining compliance with the HESFA. As a result, increases in supplemental fees have not been considered part of that calculation. This definition has allowed institutions to increase supplemental fees at a rate significantly higher than the increase allowed for tuition in an effort to supplement reduced revenues from state appropriations.

The MDHE interpretation of the term "required fees" to include "only the fees required of all undergraduate students" appears to be inconsistent with the common definition of the word "required." While supplemental fees vary among degree programs, some level of supplemental fees are associated with the majority of degree programs and must be paid in order to obtain a degree, and would therefore be "required." In addition, the statute clearly excludes any fee established by the student body, but does not specifically exclude supplemental fees.

Section 173.081, RSMo, gives the CBHE specific rulemaking authority for Chapter 173. Due to the potential impact of the interpretation of "required fees" and its importance to the public, formally promulgating a rule to clarify the issue appears appropriate. Section 536.024, RSMo, provides an open and transparent method for agencies to set forth rules of general applicability that impact the public. This process would subject any proposed rules to a legislative review prior to any rule taking effect.

3.2 Oversight

The MDHE's oversight process to ensure institutions comply with HESFA tuition requirements is in need of improvement. While the MDHE has generally ensured that tuition increases follow the HESFA restrictions, MDHE procedures to calculate allowable tuition levels are not adequate. Tuition and fee information provided by the institutions is not verified, and documentation of the tuition review process is not always maintained.

Verification of Data Reported by the Institutions

The MDHE does not verify the accuracy of tuition and fees information provided by the institutions on the annual comprehensive fee survey. The information provided on the fee survey is used to calculate the average state tuition, calculate the tuition rate increase percentages, and ensure compliance with the HESFA.



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We reviewed the comprehensive fee surveys for all public 4-year institutions and the State Technical College of Missouri and compared the data reported by the institutions to the state average tuition calculated by the MDHE for fiscal year 2009 to fiscal year 2016. Our review identified three instances where the MDHE failed to adequately identify student approved fees, resulting in the state average tuition calculation being incorrect. The state average tuition calculation is required as part of the HESFA, and can impact the amount of allowable tuition increases at institutions which fall below the state average. These errors resulted in the state average tuition for multiple years being incorrect. While the errors noted did not result in significant errors in the state average tuition calculation, oversight and monitoring of this calculation is necessary for the MDHE to accurately implement state law.

Our review also identified other differences between the comprehensive fee survey and MDHE compliance calculations. MDHE personnel indicated the differences were due to changes to tuition and fees made by the institutions after the initial survey filing. However, the MDHE did not require the institutions to file an amended comprehensive fee survey or verify the changes.

The MDHE provides the only oversight of state institutions for compliance with the HESFA and tuition rates. Sufficient oversight is necessary to help ensure the accuracy of the information reported by the institutions and ensure compliance with the HESFA.

Letters and Notices

The MDHE has not always maintained copies of signed letters and notices sent to institutions related to the HESFA in accordance with the state's general record retention policy.

According to MDHE officials, written notice is provided to all institutions indicating the average tuition for the current academic year by December first of each year, and the change in the CPI for the prior year by January 15. The MDHE also receives a notice of tuition changes from institutions and notifies each institution in writing that its notice of tuition change has been received, and whether the institution is in compliance with the HESFA.

For the 3 years ending June 30, 2016, we selected three institutions from each year and requested copies of the letters and notices related to tuition and fees increases. The MDHE was unable to provide 4 of the 30 letters and notices requested, an error rate of 13 percent. State record retention policies established by the Secretary of State require the MDHE maintain such general correspondence for a minimum of 3 years.

The MDHE is responsible for providing oversight of the institutions and ensuring compliance with the HESFA. Maintaining adequate documentation



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of communications with the institutions is necessary to ensure the MDHE's efforts are verifiable and transparent.

Recommendations

The MDHE:

- 3.1 Use its rulemaking authority to promulgate rules related to the HESFA, including a definition of "required fees."
- 3.2 Verify tuition data reported on the comprehensive fee surveys and ensure amended comprehensive fee surveys, along with copies of correspondence, are maintained.

Auditee's Response

- 3.1 *HESFA's application is limited by statute to full-time in-state undergraduates' "tuition and required fees," and specifically excludes a subset of required fees that are student-approved. As interpreted by MDHE and the higher education community since the inception of HESFA, "required fees" are those that are actually required (i.e. not optional) for students. An institution's study abroad fee, for example, which is designed to cover the unique expenses of that program, is not required. Indeed, participation in such programs is, without exception, optional.*

The same may be said for a number of program and course options, chemistry labs for example, that entail unique materials, equipment, instructional costs, and therefore fees, to deliver. A student's choice of degree program will certainly have implications for which courses are desirable or even necessary. But most courses (and any associated fees) are, at least as an initial matter, a choice—choice of program, choice of elective, choice to study abroad—and stand in contrast with truly required fees like technology and athletic facilities, which all students must pay regardless of their distinctive academic paths. HESFA was not intended to cover every potential cost a student may encounter along his or her path toward a college degree. Due in large part to HESFA, obtaining a postsecondary credential remains a high value proposition, whether a student charts a path through sophisticated scientific equipment, old copies of literary classics, or anything in between.

MDHE agrees to reassess its legal authority to promulgate administrative rules for HESFA, and to ensure that its application of HESFA is faithful to the statutory language.

- 3.2 *MDHE will, as permitted by limited resources, develop and implement additional verification measures for tuition and fee data provided by institutions. MDHE is committed to improving accuracy, and is pleased with the Auditor's confirmation of no*



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significant errors in the department's state average tuition calculations. MDHE has maintained complete documentation, including correspondence and surveys, for the most recent annual compliance cycles, and reaffirms its commitment to maintain complete documentation going forward.

Public Higher Education Funding and Affordability

Organization and Statistical Information

The Missouri Department of Higher Education (MDHE) is headed by a nine-member Coordinating Board for Higher Education (CBHE). The commissioner of higher education is appointed by the CBHE and serves as its chief executive officer in carrying out the goals and administrative responsibilities for the state system of higher education, with 13 public 4-year universities, 14 public 2-year community colleges, 26 independent colleges and universities, and more than 150 proprietary and private career schools serving more than 450,000 students.

As of June 30, 2015, the CBHE consisted of the following members:

Member	Term Expires	Party Affiliation
Betty Sims, Chair (1)	June 2016	Republican
Brian Fogle, Vice Chair	June 2012	Democrat
Carolyn Mahoney, Secretary	June 2018	Democrat
Dalton Wright, Member	June 2014	Republican
Doug Kennedy, Member	June 2020	Democrat
Vacant (2)		
Vacant (3)		
Vacant (4)		
Vacant (5)		

(1) Betty Sims passed away August 22, 2016

(2) Samuel Murphey, Democrat, was appointed to a term beginning May 5, 2016

(3) Michael Thomson, Republican, was appointed to a term beginning May 5, 2016

(4) John Siscel III, Republican, was appointed to a term beginning June 3, 2016

(5) District 5 position has been vacant since April 2011

The CBHE members serve without compensation but are reimbursed for expenses. The nine members of the CBHE, one from each congressional district and one at-large, are appointed to 6-year terms by the Governor and confirmed by the Senate. In addition, no more than five of the nine members may be affiliated with the same political party. Dr. David Russell served as the commissioner of higher education from July 2010 until his retirement effective March 1, 2016. Leroy Wade served as interim commissioner of higher education from March 1, 2016 until August 28, 2016. Zora Mulligan was appointed commissioner of higher education effective August 29, 2016.

The MDHE's functions include identification of statewide needs for higher education, statewide planning for higher education, evaluation of student and institutional performance, review of institutional missions, development of effective and economical specialization among institutions, and administration of a performance funding program awarded to public community colleges and universities based on meeting established objectives. The functions also include submission of a unified budget request for public higher education to the Governor and the Missouri



Public Higher Education Funding and Affordability Organization and Statistical Information

General Assembly, administration of a statewide postsecondary technical education program, approval of new degree programs offered at public colleges and universities, setting policy for student financial assistance programs, and administration of the Proprietary School Certification Program. The MDHE's planning activities include the state's independent institutions as well as the public institutions. In addition, the MDHE has statutory responsibility for the administration of several state student financial assistance programs and is the state's designated guaranty agency for the Missouri Student Loan Program, which administers the Federal Family Education Loan Program.

At June 30, 2015, the MDHE had 57 employees.

Net Tuition and Fees Per FTE Student, by Institution

The following table lists Missouri's public 4-year institutions and the net tuition and fees per FTE student for fiscal years 2009 through 2015. Net tuition and fees includes revenues from all tuition and fees, including supplemental course fees, supplemental program fees, student approved fees, and required fees, and tuition, net of discounts and allowances for educational purposes. The data presented represents all student types, including in-state, out of state, undergraduate, and graduate students.

Institution	Year Ended June 30,							% Change 2009-2015
	2009	2010	2011	2012	2013	2014	2015	
Harris-Stowe State University	\$3,320	2,362	2,292	2,266	2,633	3,334	4,005	21%
Missouri Southern State University	3,065	3,295	3,517	3,982	3,860	3,359	3,221	5%
Missouri Western State University	3,730	3,197	4,682	4,960	5,304	5,570	5,641	51%
University of Central Missouri	6,326	6,163	6,268	6,622	6,503	7,268	7,430	17%
Northwest Missouri State University	5,572	5,472	5,572	6,018	6,379	6,679	6,676	20%
Southeast Missouri State University	6,466	6,532	7,014	7,324	7,630	7,753	8,009	24%
Missouri State University	5,282	5,881	5,914	6,159	6,378	6,604	6,676	26%
Truman State University	4,133	3,892	4,114	4,725	4,989	4,935	4,859	18%
Lincoln University	4,105	3,383	3,115	3,359	3,509	3,384	3,134	-24%
University of Missouri - Columbia	8,605	8,538	8,862	9,600	10,430	10,848	11,253	31%
University of Missouri - Kansas City	10,758	10,610	10,718	11,092	11,519	12,017	12,056	12%
University of Missouri - St. Louis	7,924	7,720	7,676	8,014	8,296	8,888	8,574	8%
Missouri University of Science and Technology	8,403	8,155	8,453	9,462	10,312	11,291	11,432	36%

Source: Prepared by the SAO using tuition data obtained from IPEDS

Total Revenues

The following table lists total sources of revenue generated by Missouri's public 4-year institutions for fiscal years 2009 through 2015. Total sources of revenue include state appropriations, net tuition and fees, federal appropriations and grants and contracts, auxiliary enterprises and educational activities, investment income and other, and state and local government grants and contracts.

	Year Ended June 30,							% Change 2009-2015
	2009	2010	2011	2012	2013	2014	2015	
State Appropriations	\$831,787,535	843,350,934	761,432,774	698,117,833	704,155,584	715,077,056	759,424,057	-8.7%
Net Tuition and Fees	741,237,895	765,117,657	817,568,429	896,033,839	946,471,917	996,558,545	1,035,865,356	39.7%
Federal Appropriations	14,858,357	21,455,460	28,416,220	28,222,000	29,154,166	27,675,151	34,807,775	134.3%
Federal Grants and Contracts	343,323,850	380,713,363	414,754,193	401,084,277	395,537,724	368,589,169	357,570,501	4.1%
Auxiliary Enterprises and Educational Activities	666,480,610	654,411,399	701,913,289	701,913,289	747,450,984	744,239,019	763,569,405	14.6%
Investment Income and Other	(18,004,125)	278,622,249	368,584,395	152,218,275	255,230,653	463,734,280	234,862,206	1404.5%
State and Local Grants, and Gifts	243,126,713	237,356,567	228,581,800	268,993,361	237,567,710	241,935,677	248,382,738	2.2%
Total Revenues	\$2,822,810,835	3,181,027,629	3,321,251,100	3,146,582,874	3,315,568,738	3,557,808,897	3,434,482,038	21.7%

Source: IPEDS

Total Revenues Per FTE Student

The following table lists total sources of revenue per FTE student generated by Missouri's public 4-year institutions for fiscal years 2009 through 2015. Total sources of revenue include state appropriations, federal appropriations and grants and contracts, auxiliary enterprises and educational activities, other income including investment income, and state and local government grants and contracts. FTE student data is presented at Appendix G.

	Year Ended June 30,							% Change 2009-2015
	2009	2010	2011	2012	2013	2014	2015	
State Appropriations	\$7,778	7,601	6,653	6,011	6,037	6,100	6,332	-19%
Net Tuition and Fees	6,932	6,896	7,144	7,715	8,115	8,501	8,638	25%
Federal Appropriations	139	193	248	243	250	236	290	109%
Federal Grants and Contracts	3,211	3,431	3,624	3,453	3,391	3,144	2,982	-7%
Auxiliary Enterprises and Educational Activities	6,233	5,898	6,133	6,043	6,409	6,349	6,367	2%
Investment Income and Other	(168)	2,511	3,221	1,311	2,188	3,956	1,958	1265%
State and Local Grants, and Gifts	2,273	2,139	1,997	2,316	2,037	2,064	2,071	-9%
Total Revenues	\$26,398	28,669	29,020	27,092	28,427	30,350	28,638	8%

Source: Prepared by the SAO using IPEDS data and enrollment information from MDHE

In-State Undergraduate Tuition Per FTE Student, by State

The following table lists in-state undergraduate tuition per FTE student, by state. Amounts represent tuition charged, and do not include any supplemental fees.

Rank	State	Year Ended June 30,								% Change 2008-2015
		2008	2009	2010	2011	2012	2013	2014	2015	
1	Wyoming	\$3,929	4,129	4,299	4,357	4,456	4,499	4,654	4,891	24.50%
2	Montana	5,789	6,079	6,143	6,212	6,412	6,360	6,301	6,351	9.70%
3	New Mexico	4,904	5,304	5,614	5,741	5,915	6,089	6,166	6,355	29.58%
4	Florida	4,150	4,783	5,511	5,941	6,495	6,452	6,345	6,360	53.26%
5	Utah	4,638	5,068	5,381	5,599	5,846	6,042	6,171	6,363	37.18%
6	Alaska	5,075	5,455	5,759	5,762	6,026	6,012	6,149	6,571	29.47%
7	Nevada	4,771	5,035	5,822	6,384	6,656	6,525	6,438	6,667	39.76%
8	Idaho	5,004	5,415	5,835	6,002	6,239	6,462	6,610	6,818	36.26%
9	North Carolina	4,764	5,030	5,827	6,010	6,459	6,657	6,685	6,973	46.37%
10	Mississippi	5,367	5,488	5,795	5,993	6,416	6,707	6,870	7,147	33.16%
11	West Virginia	5,107	5,519	5,721	5,848	6,130	6,388	6,698	7,171	40.43%
12	Oklahoma	6,120	6,008	6,294	6,413	6,670	6,726	7,094	7,450	21.72%
13	Nebraska	6,462	6,909	7,225	7,295	7,483	7,473	7,348	7,608	17.73%
14	New York	5,556	6,361	6,342	6,554	6,836	7,076	7,306	7,644	37.57%
15	North Dakota	6,626	7,021	7,191	7,248	7,298	7,431	7,527	7,688	16.02%
16	Arkansas	6,417	6,627	6,901	7,029	7,287	7,408	7,606	7,867	22.61%
17	Louisiana	4,419	4,745	5,181	5,542	6,120	6,748	7,337	7,871	78.11%
18	Iowa	6,980	7,438	7,832	7,988	8,157	8,007	7,868	7,877	12.86%
19	South Dakota	6,182	6,684	6,916	7,176	7,696	7,809	7,713	8,055	30.29%
20	Georgia	4,831	5,550	6,428	7,709	7,853	7,992	8,063	8,447	74.84%
21	Kansas	6,521	6,995	7,254	7,310	7,583	7,896	8,270	8,530	30.82%
22	Missouri	7,842	7,996	7,959	8,118	8,276	8,268	8,409	8,564	9.21%
23	Wisconsin	7,373	7,945	8,441	8,659	9,052	8,931	8,785	8,815	19.55%
24	Texas	7,507	8,121	8,477	8,507	8,692	8,705	8,852	9,117	21.44%
25	Indiana	7,836	8,470	8,744	8,813	9,078	9,119	9,049	9,120	16.39%
26	Maryland	8,020	8,285	8,470	8,410	8,552	8,663	8,697	9,163	14.25%
	National Average	6,996	7,630	8,115	8,461	8,732	8,862	8,948	9,234	32.00%
27	Tennessee	6,169	6,758	7,140	7,574	7,996	8,210	8,941	9,263	50.16%
28	California	5,898	7,259	8,194	9,436	9,361	9,274	9,187	9,270	57.17%
29	Oregon	6,769	7,653	8,138	8,445	8,658	8,786	8,949	9,371	38.44%
30	Kentucky	7,388	7,886	8,231	8,423	8,815	8,889	9,223	9,567	29.50%
31	Maine	8,764	9,469	9,792	9,894	9,753	9,594	9,560	9,573	9.23%
32	Colorado	6,284	6,948	7,748	8,316	8,793	9,293	9,299	9,748	55.12%
33	Alabama	6,475	7,189	8,071	8,452	9,098	9,359	9,496	9,751	50.59%
34	Hawaii	6,318	7,356	8,164	8,840	8,972	9,270	9,713	10,175	61.05%
35	Ohio	9,194	9,425	9,913	9,980	10,175	10,157	10,104	10,196	10.90%
36	Washington	6,980	8,113	8,973	10,029	11,037	11,045	10,703	10,288	47.41%
37	Arizona	6,058	7,263	8,840	9,967	10,134	10,296	10,414	10,646	75.73%
38	Minnesota	9,024	9,739	10,276	10,583	10,793	10,691	10,582	10,831	20.03%
39	Rhode Island	8,384	9,423	10,201	10,578	11,376	11,132	10,977	11,390	35.86%
40	Connecticut	8,721	9,371	9,827	9,736	10,037	10,453	10,664	11,397	30.69%
41	Massachusetts	8,939	10,239	10,386	10,738	11,093	10,981	10,987	11,588	29.63%
42	Delaware	8,995	9,987	10,534	11,026	11,363	11,503	11,515	11,676	29.80%
43	South Carolina	9,908	10,550	11,016	10,940	11,192	11,407	11,470	11,816	19.26%
44	Virginia	8,225	8,795	9,643	10,072	10,314	10,590	11,202	11,819	43.69%
45	Michigan	9,906	10,817	11,095	11,452	11,660	11,851	11,618	11,991	21.05%
46	Illinois	10,872	11,536	12,008	12,285	12,675	12,853	12,813	13,189	21.31%
47	New Jersey	11,661	12,338	12,752	12,708	12,935	12,998	13,027	13,303	14.08%
48	Pennsylvania	11,233	11,929	12,404	12,766	12,893	13,079	13,157	13,395	19.25%
49	Vermont	12,305	13,316	13,655	13,833	14,089	14,267	14,501	14,993	21.85%
50	New Hampshire	11,168	12,273	13,077	14,263	15,224	14,969	14,756	15,160	35.75%

Source: Collegeboard.org

Total Net Tuition and Fees

The following table lists net tuition and fees at Missouri's public 4-year institutions for fiscal years 2009 through 2015. Net tuition and fees includes revenues from all tuition and fees assessed against students, net of discounts and allowances for educational purposes.

	Year Ended June 30,							% Change
	2009	2010	2011	2012	2013	2014	2015	2009-2015
Tuition	\$860,738,960	897,182,783	945,769,589	1,012,365,080	1,069,411,060	1,120,859,725	1,160,870,971	35%
Required Fees	63,725,630	67,896,788	70,842,790	83,295,933	74,411,974	71,929,329	78,310,212	23%
Supplemental Course Fees	29,497,244	31,439,910	38,959,604	46,302,189	54,385,065	57,550,360	70,309,956	138%
Other Miscellaneous Fees	54,180,267	57,397,004	63,977,285	71,359,729	73,882,572	80,758,337	84,392,828	56%
Total Tuition and Fees	1,008,142,101	1,053,916,485	1,119,549,268	1,213,322,931	1,272,090,671	1,331,097,751	1,393,883,967	38%
Discounts and Allowances	(266,904,206)	(288,798,829)	(301,980,838)	(317,289,092)	(325,618,753)	(334,539,206)	(358,018,610)	34%
Net Tuition and Fees	\$741,237,895	765,117,656	817,568,430	896,033,839	946,471,918	996,558,545	1,035,865,357	40%

Source: IPEDS and tuition and fee data provided by the institutions

Net Tuition and Fees Per FTE Student

The following table lists net tuition and fees generated by Missouri's public 4-year institutions for fiscal years 2009 through 2015 per FTE student. Net tuition and fees per FTE student includes revenues from all tuition and fees assessed against students, net of discounts and allowances for educational purposes. FTE student data is presented at Appendix G.

	Year Ended June 30,							% Change
	2009	2010	2011	2012	2013	2014	2015	2009-2015
Tuition	\$8,049	8,086	8,264	8,716	9,169	9,562	9,680	20%
Required Fees	596	612	619	717	638	614	653	10%
Supplemental Course fees	276	283	340	399	466	491	586	112%
Other Miscellaneous Fees	507	517	559	614	633	689	704	39%
Total Tuition and Fees	9,428	9,498	9,782	10,446	10,906	11,356	11,623	23%
Discounts and Allowances	(2,496)	(2,603)	(2,639)	(2,732)	(2,792)	(2,854)	(2,985)	20%
Net Tuition and Fees	\$6,932	6,895	7,143	7,714	8,114	8,502	8,638	25%

Source: Prepared by the SAO using IPEDS, tuition and fee data provided by the institutions, and enrollment information from MDHE

Enrollment Data

The following table lists the number of FTE students enrolled at Missouri's public 4-year institutions, including graduate, undergraduate, and professional students for fiscal years 2008 through 2015.

Fiscal Year	Undergraduate	Graduate	Professional	Total	% Change
2008	89,624	11,920	2,800	104,344	
2009	91,709	12,385	2,842	106,936	2.5%
2010	94,967	13,077	2,907	110,951	3.8%
2011	97,930	13,562	2,964	114,456	3.2%
2012	99,482	13,637	3,025	116,144	1.5%
2013	100,031	13,474	3,129	116,634	0.4%
2014	100,223	13,692	3,311	117,226	0.5%
2015	101,666	15,089	3,170	119,925	2.3%

Source: MDHE

State Funding Per \$1,000 in Personal Income

The following table lists state funding per \$1,000 in personal income, by state, for the 2014-2015 school year.

Rank	State	State Funding Per \$1,000 in Personal Income	Rank	State	State Funding Per \$1,000 in Personal Income
1	Wyoming	\$11.68		United States	\$5.55
2	New Mexico	\$11.60	27	Minnesota	\$5.47
3	North Dakota	\$10.08	28	South Dakota	\$5.46
4	Alaska	\$9.79	29	South Carolina	\$5.45
5	Mississippi	\$9.78	30	Delaware	\$5.28
6	North Carolina	\$9.49	31	Florida	\$5.00
7	Arkansas	\$8.87	32	Connecticut	\$4.97
8	Hawaii	\$8.65	33	New York	\$4.95
9	Alabama	\$8.09	34	Maine	\$4.86
10	Nebraska	\$8.05	35	Wisconsin	\$4.66
11	Utah	\$8.02	36	Washington	\$4.54
12	Illinois	\$7.99	37	Michigan	\$4.45
13	West Virginia	\$7.47	38	Virginia	\$4.38
14	Georgia	\$7.37	39	Nevada	\$4.36
15	Kentucky	\$7.10	40	Ohio	\$4.35
16	Idaho	\$6.53	41	Oregon	\$4.24
17	Indiana	\$6.48	42	New Jersey	\$4.10
18	Oklahoma	\$6.29	43	Missouri	\$4.09
19	Kansas	\$6.08	44	Massachusetts	\$3.70
20	California	\$6.05	45	Arizona	\$3.62
21	Iowa	\$6.01	46	Rhode Island	\$3.45
22	Tennessee	\$5.95	47	Vermont	\$3.11
23	Montana	\$5.80	48	Colorado	\$3.00
24	Louisiana	\$5.76	49	Pennsylvania	\$2.73
25	Texas	\$5.60	50	New Hampshire	\$1.75
26	Maryland	\$5.58			

Source: Collegeboard.org

State Appropriations Per FTE Student, by State

The following table shows state appropriations per FTE student, by state, for fiscal years 2008, 2009, 2013, and 2014.

Rank	State	Year Ended June 30,				% Change 2008-2014
		2008	2009	2013	2014	
1	Illinois	\$8,187	8,223	9,626	12,293	50.2%
2	North Dakota	5,736	5,420	6,688	7,888	37.5%
3	Alaska	13,214	13,650	13,188	13,978	5.8%
4	Indiana	5,236	5,321	4,501	5,005	-4.4%
5	New York	8,868	8,659	8,129	8,454	-4.7%
6	Montana	5,205	5,274	4,379	4,939	-5.1%
7	Wyoming	16,428	17,123	16,800	15,561	-5.3%
8	Nebraska	8,300	7,976	7,503	7,840	-5.5%
9	Arkansas	8,123	7,987	7,731	7,653	-5.8%
10	Vermont	3,166	2,889	2,708	2,816	-11.0%
11	Maryland	8,583	7,926	7,022	7,512	-12.5%
12	Maine	7,170	6,920	6,096	6,252	-12.8%
13	Texas	9,444	8,895	7,366	8,050	-14.8%
14	California	8,825	7,938	7,252	7,509	-14.9%
15	Wisconsin	2,071	7,100	5,990	5,786	-18.2%
16	Kansas	6,924	6,711	5,745	5,648	-18.4%
	National Average	8,081	7,553	6,215	6,552	-18.9%
17	South Dakota	6,034	5,618	4,872	4,878	-19.2%
18	Iowa	6,739	6,810	5,112	5,335	-20.8%
19	Oklahoma	8,998	8,951	7,193	7,080	-21.3%
20	North Carolina	10,933	9,619	8,851	8,562	-21.7%
21	Tennessee	9,029	8,875	6,266	6,959	-22.9%
22	Michigan	6,179	5,905	4,564	4,765	-22.9%
23	Massachusetts	7,898	6,805	5,785	6,073	-23.1%
24	Georgia	9,496	8,497	6,836	7,297	-23.2%
25	Ohio	5,638	5,777	4,249	4,314	-23.5%
26	New Mexico	10,530	8,985	8,269	8,029	-23.7%
27	Mississippi	8,534	7,775	6,274	6,514	-23.7%
28	Minnesota	7,007	6,680	4,814	5,327	-24.0%
29	Rhode Island	6,172	5,169	4,547	4,690	-24.0%
30	Delaware	6,682	6,476	4,954	5,052	-24.4%
31	Kentucky	9,034	8,428	6,884	6,824	-24.5%
32	Hawaii	10,129	10,255	7,532	2,618	-24.8%
33	Washington	7,616	7,178	4,945	5,700	-25.2%
34	Utah	7,406	6,648	5,106	5,506	-25.7%
35	West Virginia	7,463	6,319	5,887	5,530	-25.9%
36	Virginia	6,469	6,215	4,635	4,779	-26.1%
37	Connecticut	9,763	9,192	6,509	7,192	-26.3%
38	Colorado	4,173	4,514	2,822	3,022	-27.6%
39	Missouri	7,335	7,172	5,311	5,297	-27.8%
40	New Jersey	7,698	7,206	5,658	5,520	-28.3%
41	Oregon	5,972	5,587	3,952	4,214	-29.4%
42	Nevada	10,140	9,678	6,826	7,016	-30.8%
43	Florida	8,494	7,320	4,879	5,798	-31.7%
44	New Hampshire	3,536	3,483	1,724	2,360	-33.3%
45	Idaho	10,520	10,266	6,676	2,004	-33.4%
46	Arizona	8,046	7,736	5,056	5,171	-35.7%
47	South Carolina	7,705	6,092	4,891	4,894	-36.5%
48	Pennsylvania	5,836	5,645	3,633	3,654	-37.4%
49	Alabama	9,278	6,888	5,694	5,673	-38.9%
50	Louisiana	9,426	9,096	5,625	5,606	-40.5%

Source: SHEEO

Total Expenditures

The following table lists total combined expenditures for the Missouri's public 4-year institutions for fiscal years 2009 through 2015.

	Year Ended June 30,							% Change 2009-2015
	2009	2010	2011	2012	2013	2014	2015	
Instruction	\$975,392,962	999,816,692	1,030,761,905	1,096,453,809	1,123,000,480	1,195,633,948	1,214,216,598	24%
Research	264,839,256	269,127,992	265,609,836	254,675,925	252,199,489	247,615,698	240,141,718	-9%
Public Service	227,462,153	200,362,645	193,735,588	204,009,209	204,715,214	211,089,729	214,642,775	-6%
Academic Support	211,563,740	219,123,271	220,834,901	227,535,057	228,643,769	239,534,875	246,925,595	17%
Institutional Support	200,518,818	219,488,199	247,519,747	268,155,592	253,621,745	274,249,966	271,915,388	36%
Student Services	160,092,891	170,192,740	176,702,080	185,146,741	194,117,237	215,040,772	248,237,933	55%
Other Core Expenses	205,318,620	164,314,340	146,026,553	176,815,816	137,774,744	140,401,074	178,117,011	-13%
Auxiliary Enterprises	561,783,335	613,713,222	672,493,861	688,886,727	736,245,599	736,593,670	798,456,758	42%
Total Expenditures	\$2,806,971,775	2,856,139,101	2,953,684,471	3,101,678,876	3,130,318,277	3,260,159,732	3,412,653,776	23%

Source: IPEDS

Expenditures Per FTE Student

The following table lists total expenditures per FTE student for Missouri's public 4-year institutions for fiscal years 2009 through 2015.

	2009	2010	2011	2012	2013	2014	2015	2009 - 2015
Instruction	\$9,121	9,011	9,007	9,440	9,628	10,199	10,125	11%
Research	2,477	2,426	2,321	2,193	2,162	2,112	2,002	-19%
Public Service	2,127	1,806	1,693	1,756	1,755	1,801	1,790	-16%
Academic Support	1,978	1,975	1,930	1,959	1,960	2,043	2,059	4%
Institutional Support	1,875	1,978	2,163	2,309	2,175	2,339	2,267	21%
Student Services	1,497	1,534	1,544	1,594	1,664	1,834	2,070	38%
Other Core Expenses	1,920	1,481	1,276	1,522	1,181	1,198	1,485	-23%
Auxiliary Enterprises	5,253	5,531	5,876	5,931	6,312	6,284	6,658	27%
Total	\$26,248	25,742	25,810	26,704	26,837	27,810	28,456	8%

Source: Prepared by the SAO using IPEDS data and enrollment information from MDHE

Need-Based Aid, by State

The following table lists the percentage of state aid based on need, by state for the 2013-2014 school year.

Rank		Percentage of State Grants Based on Financial Need	Rank		Percentage of State Grants Based on Financial Need
1	Arizona	100%	27	Oklahoma	89%
2	Hawaii	100%		United States	76%
3	Kansas	100%	28	Alabama	74%
4	Maine	100%	29	Montana	73%
5	Nebraska	100%	30	Virginia	69%
6	Oregon	100%	31	Ohio	68%
7	Rhode Island	100%	32	Delaware	65%
8	Texas	100%	33	North Dakota	60%
9	Wyoming	100%	34	Missouri	56%
10	Minnesota	100%	35	Kentucky	46%
11	California	100%	36	West Virginia	43%
12	Washington	100%	37	Alaska	33%
13	Illinois	100%	38	Florida	32%
14	Pennsylvania	100%	39	Utah	31%
15	Colorado	99%	40	Mississippi	30%
16	Vermont	99%	41	Nevada	29%
17	Connecticut	99%	42	Idaho	29%
18	Michigan	99%	43	New Mexico	27%
19	New Jersey	98%	44	Tennessee	24%
20	North Carolina	98%	45	South Carolina	17%
21	Indiana	98%	46	Louisiana	10%
22	Wisconsin	98%	47	Arkansas	6%
23	Maryland	97%	48	South Dakota	4%
24	New York	97%	49	Georgia	0%
25	Massachusetts	96%	50	New Hampshire	0%
26	Iowa	93%			

Source: Collegeboard.org



Office of Missouri State Auditor
Nicole Galloway, CPA

Buck Prairie Special Road District



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Buck Prairie Special Road District

Payments to Board Commissioners and Employees, and Personal Purchases	Auditors identified improper payments totaling \$9,730 paid to former commissioners, and some payments involving a former commissioner and the former foreman created actual or apparent conflicts of interest. A former commissioner's wife was paid more than \$5,000 and the former foreman was paid more than \$20,000 for hauling dirt and rock, but the district did not solicit bids. Payroll payments, expense reimbursements, and cell phone allowances totaling \$215,035 were paid through the payroll system without the support of timesheets, supporting documentation, or formal personnel policies. Some amounts paid were questionable and some were not reported on W-2 forms. Auditors found that some hours worked by employees appeared excessive. For example, three employees were paid for 80 hours each of regular work time and over 107 hours each of overtime during a two-week period, meaning each employee would have worked over 13 hours per day. Some final paychecks issued to employees may have violated state law and others appeared questionable. Former employees were allowed to make personal purchases using district charge accounts, and the district was not reimbursed timely for some of those purchases and not reimbursed for others. The costs for 4 tires charged to the district's account by an employee for his personal vehicle and 2 tires charged to the district's account by the former foreman for his personal loader were not reimbursed to the district or paid to the vendor until after they were questioned by the Lawrence County Sheriff's Office. The cost of a rake wheel charged to the district for the foreman's personal equipment has not been reimbursed to the district.
Financial Condition	The district is in poor financial condition as a result of overspending, lax controls over disbursements, and inadequate oversight and monitoring by the Board of Commissioners. For the years reviewed by auditors, the district's cash balance was significantly less than average annual disbursements and financial obligations at year end.
Oversight and Segregation of Duties	Neither the current nor former Board of Commissioners established adequate segregation of duties or supervisory review over the various financial accounting functions performed by the secretary/treasurer or disbursement activities of employees. This lack of adequate controls and proper oversight allowed the various problems cited throughout the report.
Payroll and Related Matters	Records of time worked or leave taken and earned were not prepared by former employees or the former secretary/treasurer. Currently, a timesheet is prepared each pay period that shows time worked for all employees, but the timesheet is not signed by the employees and is not always signed by the foreman. Additionally, the district had not established personnel policies addressing overtime, holidays, vacation and sick leave, employee benefits, allowances, requirements for the preparation of timesheets or leave records, or the employment and supervision of related employees. The district also did not maintain personnel files or timely remit payroll taxes to the Internal Revenue Service. The district sometimes paid employees in advance of work completed, and we noted concerns with payroll checks clearing the bank prior to the date of checks and payroll check dates not matching dates in the accounting system.

Disbursements	The district does not evaluate the reasonableness of vehicle usage and does not reconcile fuel usage to billings. Mileage and fuel logs are not maintained. Fuel purchases significantly decreased between current and former Boards and employees, and some individual fuel purchases were questionable. Invoices for many items purchased listed the former foreman's personal address as the billing and/or shipping address. Because the district allowed employees to make personal purchases and these items could be used by the foreman personally or in his business, we could not determine whether these purchases were for the district. Procedures for reviewing and approving invoices for payment were lacking. Auditors also noted duplicate payments were made by the district, including one payment for more than \$21,000. The district also lacked adequate controls over checks, incurred late fees for untimely bill payments, and failed to obtain bids for significant purchases.
Accounting Controls and Procedures	The district's receipting and depositing procedures are poor. The current secretary/treasurer does not prepare bank reconciliations for the district's 2 bank accounts, and the district does not have accurate accounting records.
Budgetary Procedures and Financial Reporting	The district's budgets do not contain all statutorily required elements, and budget documents did not present accurate actual receipt and disbursements. The Board also did not adequately monitor budget-to-actual receipts and disbursements. Actual disbursements exceeded budgeted amounts by \$58,206 in 2014 and \$181,590 in 2015. Additionally, the district did not file a financial report with the State Auditor's Office as required by law.
Sunshine Law Issues and Record Retention	The Board of Commissioners did not always comply with the Sunshine Law. Meeting minutes were not always maintained, and the reason for closing certain meetings was not documented. Some issues discussed in closed session were not allowable under state law. Additionally, many bank statements, invoices, and other financial records could not be located and were obtained from the bank, the former secretary/treasurer, and vendors.
Road Maintenance	The district has not developed a formal annual maintenance plan for district roads and bridges, and does not maintain a listing of public roads under its legal authority. During 2012, the district paved 2 private roads and did not retain sufficient documentation or seek reimbursement of some of the related paving costs.
Capital Asset and Inventory Records	Nearly \$2,000 worth of assets purchased by the district are missing, and capital asset records and procedures need improvement.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Buck Prairie Special Road District

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Board of Commissioners
Buck Prairie Special Road District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Buck Prairie Special Road District. We have audited certain operations of the district in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014. The objectives of our audit were to:

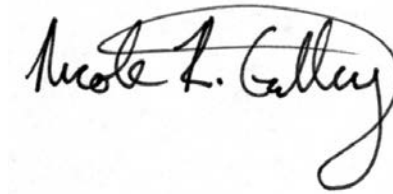
1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions; inspection of capital assets; and analysis of comparative data from external and internal sources. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Buck Prairie Special Road District.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Pamela Allison, CPA
In-Charge Auditor:	Roberta Bledsoe Gina Henley, MBA
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Buck Prairie Special Road District

Management Advisory Report

State Auditor's Findings

1. Payments to Board Commissioners and Employees, and Personal Purchases

The audit identified former board commissioners were improperly paid \$9,730. In addition, some payments involving Board Commissioner Metcalf (\$5,013) and Foreman Morris (\$20,794) created actual, or at the very least, the appearance of conflicts of interest, and other payments made to Foreman Morris were unsupported.

Payroll payments, expense reimbursements, and cell phone allowances totaling \$215,035 were paid through the payroll system to former district employees without the support of timesheets, supporting documentation, or formal personnel policies. Some amounts paid were questionable and some were not properly reported on W-2 forms. Some final paychecks issued to employees may have violated state law and others appeared questionable. Former employees were allowed to make personal purchases using district charge accounts and did not always reimburse the district for these purchases.

The special road district's fiscal year is January 1 through December 31. The scope of our audit included, but was not necessarily limited to the period January 1, 2014, through December 31, 2014. After the identification of significant concerns regarding unsupported payments, conflicts of interest, personal and questionable purchases, and missing assets, we applied limited audit procedures to disbursement transactions for the period January 1, 2009, through December 31, 2013.

As shown in detail in the Organization and Statistical Information section of the report, significant board commissioner and employee changes occurred in late 2014. At the November 26, 2014, district board meeting, 2 board commissioners signed the final checks for the district's 3 employees, subsequently terminated those employees, and then resigned from the Board. The contracted bookkeeper, who served as the appointed district secretary/treasurer, also resigned on this date.

1.1 Payments to board commissioners

Three board commissioners were improperly paid \$9,730 in total for meeting attendance. We identified various concerns with these payments:

- Payments for meeting attendance violate state law. The secretary/treasurer indicated she paid each commissioner \$40 for each monthly meeting. Accounting records also indicated the payments were \$40 per month. Section 233.060, RSMo, indicates the board of commissioners shall serve without compensation, but actual, necessary expenses, actually paid, shall be repaid to them. Former board commissioners initially indicated these payments were for attending meetings, but later indicated the payments may have been for mileage reimbursement. However, no documentation of miles driven was maintained by the commissioners, and district personnel could provide no documentation to show these payments represented expense reimbursements.



Buck Prairie Special Road District Management Advisory Report - State Auditor's Findings

- Board commissioners were paid for at least a year and sometimes for several years at a time.
- Sometimes the check date preceded the end of the period for which the compensation pertained.
- One board commissioner (Godwin) was paid for the period May 2013 through April 2014, while another board commissioner (Metcalf) was not paid for that time period. Another board commissioner (Gamble) who served from April 2012 to June 2014 was not paid.
- Accounting records indicate the board commissioners were paid twice for March and April 2010.
- Meeting minutes were not retained to support some meetings held, attendance at meetings was not always documented in the meeting minutes, and meeting minutes maintained also did not document the discussion and approval of these payments. In addition, documentation of mileage reimbursements or miles driven was not retained.

Details of these payments to board commissioners are as follows:

Board Commissioner	Date of Check	Check Number	Amount of Check	Months Paid per Accounting System
Gene Godwin	12/30/2013	17429	\$ 480.00	May 2013 to April 2014
	4/29/2013	17177	520.00	April 2012 to April 2013
	3/26/2012	16863	520.00	March 2011 to March 2012
	2/28/2011	16511	480.00	March 2010 to February 2011
	2/16/2010	16181	960.00	April 2008 to April 2010
	Total		\$ 2,960.00	
Terry Metcalf	4/29/2013	17190	\$ 520.00	April 2012 to April 2013
	3/26/2012	16877	520.00	March 2011 to March 2012
	2/28/2011	16525	480.00	March 2010 to February 2011
	2/16/2010	16191	1,920.00	April 2006 to April 2010
	Total		\$ 3,440.00	
Terry Hickman	3/26/2012	16865	\$ 520.00	March 2011 to March 2012
	2/28/2011	16513	480.00	March 2010 to February 2011
	2/16/2010	16183	2,330.00	July 2005 to April 2010
	Total		\$ 3,330.00	

The practice of compensating board commissioners a set amount for each month was discontinued in 2014. Current board commissioners are only reimbursed for actual expenses incurred.

1.2 Conflicts of interest and payments to the foreman

Some payments involving Board Commissioner Metcalf (\$5,013) and Foreman Morris (\$20,794) created actual, or at the very least, the



Buck Prairie Special Road District
Management Advisory Report - State Auditor's Findings

appearance of conflicts of interest. In addition, \$9,191 of these payments were unsupported and others were questionable. Additional payments made to Foreman Morris for reimbursement of repairs, airline tickets, and equipment maintenance totaling \$3,044 were also unsupported. Board Commissioner Metcalf operates a construction and concrete business and owns a dump truck, and Foreman Morris owns and operates a farm and owns a dump truck. Both perform services similar to the district.

- During 2012 and 2013, the district made payments totaling \$5,013 to Board Commissioner Metcalf's wife for hauling dirt and rock, without soliciting bids. Adequate supporting documentation was not retained for a \$3,713 payment in January 2013. The invoice was prepared by the foreman using an invoice book that he used for his personal business, and no load tickets for hauling rock were attached. A \$1,300 payment made in June 2012 was unsupported and February 2012 meeting minutes indicated Board Commissioner Metcalf was going to "donate the shot rock needed and the truck to haul it" to raise the intersection at district road 2160 and Highway 14. Board Commissioner Metcalf signed both checks issued to his wife. District personnel explained the payments were for rental of a dump truck, however, this information was not evident from records or the invoice.
- The district made payments to Foreman Morris and his business (Broken-B-Farms) for hauling dirt and rock, without soliciting bids, and reimbursed him for repairs as follows:

Date of Check	Check Number	Payee	Amount for Hauling	Reimbursement of Repairs	Total Amount
10/26/2009	16073	Broken-B-Farms	\$ 1,654	N/A	1,654
07/09/2010	16317	Broken-B-Farms	4,015	N/A	4,015
07/27/2010	16344	Broken-B-Farms	3,960	N/A	3,960
06/28/2012	16955	Blaine Morris	1,300	N/A	1,300
01/09/2013	17093	Blaine Morris	5,418	N/A	5,418
08/07/2013	17280	Blaine Morris	1,458	1,525	2,983
08/30/2013	17316*	Blaine Morris	358	N/A	358
04/17/2014	17530	Blaine Morris	1,911	200	2,111
05/23/2014	17560	Blaine Morris	720	N/A	720
		Total	\$ 20,794	1,725	22,519

*Payment was made through a payroll check

In addition, the \$3,960 hauling payment in 2010, the \$1,300 hauling payment in 2012, and both hauling payments totaling \$2,631 in 2014 were unsupported. Adequate supporting documentation was also not retained for the \$4,015 hauling payment in 2010 and \$2,806 of the hauling payments in 2013. Invoices did not document the dates of service and load tickets for rock hauled were not attached.



Buck Prairie Special Road District Management Advisory Report - State Auditor's Findings

The district did not document its decision to use Board Commissioner Metcalf's and Foreman Morris' dump trucks to haul dirt and rock for the district. There are no meeting minutes to document the discussion and reasons for using these trucks rather than district-owned dump trucks and prior approval of the arrangement. In addition, there were no written agreements, and invoices retained lacked detail regarding the services included for the compensation paid (use of the truck only or driver and fuel provided).

In addition, no documentation was retained by the district or the foreman for reimbursement of repairs made in 2013 (\$1,525) and 2014 (\$200). Accounting records also indicate the district reimbursed the foreman \$899 for airplane tickets to Florida in 2009 and \$420 for equipment maintenance in 2010. The former foreman indicated the trip to Florida was necessary to check on a semi-truck the district was interested in purchasing, and which the district subsequently purchased. However, no documentation was retained by the district or the foreman to support these payments. These 2 transactions are not included in the previous table.

Board commissioners serve in a fiduciary capacity. Personal interests by board commissioners and employees in business matters of the district could create actual and the appearance of conflicts of interest. Sections 105.454 and 105.458, RSMo, prohibit financial transactions between the district and elected or appointed officials or employees that involve more than \$500 per transaction or \$5,000 per annum, unless there has been public notice to solicit proposals and competitive bidding, provided the bid or offer accepted is the lowest received.

The Board should ensure its members abstain from any decision to contract with a related party and ensure that action is fully documented in the meeting minutes. The Board should also ensure employees disclose any business relationships or possible conflicts of interest situations with the Board. In addition, to help prevent actual or the appearance of conflicts of interest, discussions and decisions concerning situations where potential conflicts of interest exist should be completely documented. Soliciting bids or proposals helps ensure the district receives fair value for the monies spent on services. The lack of detailed supporting documentation makes it difficult for the district to ensure the propriety of payments made.

1.3 Unsupported, questionable, and unreported payroll payments

Payroll payments, expense reimbursements, and cell phone allowances totaling \$215,035 were paid through the payroll system to former district employees without the support of timesheets, supporting documentation, or formal personnel policies. In addition, some of the amounts paid were questionable and some were not properly reported on W-2 forms. According to the payroll system, the following payments, totaling \$207,092, were made to the district's 3 full-time employees during 2014 and 2013:



Buck Prairie Special Road District
Management Advisory Report - State Auditor's Findings

Types of Payroll Payment	<u>Foreman Morris</u>		<u>Employee Morris</u>		<u>Employee Killman</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013	2014	2013
Regular pay	\$ 28,590	28,416	25,283	25,116	24,139	24,674	78,012	78,206
Overtime pay	1,814	6,720	1,092	4,802	1,092	4,254	3,998	15,776
Paid holidays	1,178	768	901	662	1,016	662	3,095	2,092
Paid vacation leave	2,304	2,176	1,585	938	1,581	1,711	5,470	4,825
Paid sick leave	389	640	512	856	1,144	552	2,045	2,048
Repairs/Equipment maintenance	352	1,419	0	0	0	0	352	1,419
Cell phone allowance	1,200	1,300	0	0	0	0	1,200	1,300
Special	2,662	0	2,296	0	2,296	0	7,254	0
Total	\$ 38,489	41,439	31,669	32,374	31,268	31,853	101,426	105,666

Payments to the district's 2 part-time employees totaled \$7,805 in 2013 and \$138 in 2014.

Payroll checks were prepared by the secretary/treasurer and signed by board commissioners. The payroll system shows these payments related to time worked, holidays, vacation and sick leave, reimbursements, allowances, or "special"; however, there are no timesheets or personnel policies to support the hours, holidays, leave, and allowances paid to full and part-time employees. (see MAR finding number 4). According to the payroll system, regular pay for both years totaling \$156,218 represents pay for a 40 hour work week, but no timesheets or personnel policies were maintained to indicate required work hours or pay rates.

Questionable payroll
payments

Some overtime hours, vacation leave, and holidays paid to the district's 3 employees are questionable. In addition, as a result of using nonworking time to calculate overtime, these employees may have been overpaid.

- Some hours worked by employees appeared excessive and unusual. For example, during the 2 week pay period ending December 20, 2013, the 3 employees were paid for 240 hours (80 hours each) of regular work time, and 326.5 hours (over 107 hours each) of overtime. This would average each employee working over 13 hours every day of the 14 days in the pay period. Foreman Morris indicated he could not recall specifically why the overtime hours were paid, but due to the timing of the payments he thought it would have been due to bad weather.

In addition, nonworking time, such as vacation and sick leave and holidays, was included as hours worked when calculating overtime, which is not required by the Fair Labor Standards Act (FLSA). For example, during the 2 week pay period ending December 6, 2013, all 3 employees were paid for 35 hours of compensatory time, when they worked 40 regular hours, were paid for 16 holiday hours, and used 24 hours of vacation. Without timesheets and leave records, it is unclear when the overtime was worked and vacation was taken.



Buck Prairie Special Road District
Management Advisory Report - State Auditor's Findings

Our review of payroll system records indicate that former employees may have been overpaid a total of \$2,396 as a result of including nonworking time in the calculation of overtime during the 2 years ended December 31, 2014.

- Former employees were paid for holidays inconsistently between years and the district had no Board approved list of paid holidays. For example, in 2013, the district paid employees holiday pay for the day after Independence Day and Labor Day, but not in 2014. In 2014, the district paid employees holiday pay for Good Friday, but not in 2013. During 2013 and 2014, employees received holiday pay for Memorial Day, Independence Day, Thanksgiving Day, the day after Thanksgiving, Christmas Eve, Christmas Day, New Year's Eve, and New Year's Day.
- Some vacation hours paid to former employees appeared excessive and were not supported by personnel policies or documented board approval. Personnel indicated each employee was to receive 2 weeks of vacation (80 hours) per year and vacation was to be used within the year and not accumulated from year to year. The secretary/treasurer indicated each employee received 2 weeks of vacation and that there was no restrictions on when the vacation time had to be used, but the employees always used it by year end. However, payroll records showed the district paid Foreman Morris over 135 hours of vacation in both 2014 and 2013; employee Morris over 110 hours of vacation in 2014; and employee Killman over 110 hours of vacation in both 2014 and 2013.

Considering the unusual nature and timing of some of the transactions and lack of supporting documentation, a proper review by the Board of Commissioners should have identified concerns. However, monitoring of payroll disbursements for propriety was inadequate and personnel policies had not been established.

Payments for repairs

The district also paid the foreman additional amounts through his payroll checks for repairs or reimbursement of supplies purchased and these items were coded as "repairs" in the accounting system. However, no documentation or inadequate documentation was retained by the district or the foreman to support the following payments:



Buck Prairie Special Road District
Management Advisory Report - State Auditor's Findings

Description	Date of Check	Check Number	Amount
Purchase of 4 tires for roller	01/23/2009	15623	\$ 140
Purchase of 14 steel rods	03/19/2009	15661	56
Repairs	06/09/2009	15752	118
Repairs	02/05/2010	16166	310
Repairs	04/02/2010	16227	560
Repairs	04/15/2010	16232	480
Repairs	07/23/2010	16339	6
Repairs	02/18/2011	4	51
Repairs	09/02/2011	16692	140
Repairs	10/14/2011	16717	40
Repairs	12/23/2011	16772	280
Repairs	06/08/2012	16930	467
Repairs	11/23/2012	17047	379
Repairs	05/24/2013	17198	500
Repairs	09/13/2013	17321	194
Repairs	11/08/2013	17376	575
Repairs	12/20/2013	17407	150
Repairs	04/25/2014	17533	120
Repairs	08/15/2014	17644	232
Total			\$ 4,798

The only documentation retained to support the purchases of tires and steel rods was informal notes. Without supporting documentation to account for "repairs" or reimbursement of supplies purchased, there is less assurance expenses are appropriate and necessary. Additionally, Internal Revenue Service (IRS) regulations provide when an employer issues a check to an employee without requiring proof of reimbursement for actual expenses incurred, the amount is taxable income and should be reported on W-2 forms.

The lack of detailed supporting documentation makes it difficult for the district to ensure the propriety of payments made for employee reimbursements. District funds should be expended only on items that clearly benefit the district. A proper review by the Board can prevent improper use of district funds.

Cell phone allowance and
district vehicle

Foreman Morris was overpaid \$200 in cell phone allowances, and the cell phone allowance appears excessive. The foreman was paid a \$100 per month allowance for cell phone use; however, the foreman received 13 payments in 2013 and 12 payments in 2014, even though he was terminated in November 2014. In addition, the business justification of the allowance was not documented and the allowance was not supported by documented board approval. To ensure the cell phone allowance is reasonable, the



Buck Prairie Special Road District
Management Advisory Report - State Auditor's Findings

district should re-evaluate the allowance amount, and document board approval and business justification. Currently, the district pays no cell phone allowances.

Personal use of vehicle

Foreman Morris and employee Morris were allowed to use district vehicles to commute to and from work. The value of personal (commuting) mileage was not calculated and included on their W-2 forms as a fringe benefit. There were no logs or other accounting of the use of these vehicles. Currently, no employees utilize district vehicles for commuting purposes.

IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Because procedures have not been established to ensure IRS regulations are followed, the district may be subject to penalties and/or fines for failure to report all taxable benefits.

1.4 Final paychecks

Final paychecks issued to the district's 3 employees may have violated state law and others appear questionable. On November 26, 2014, just prior to Thanksgiving, the Board of Commissioners terminated the 3 full-time employees and issued 2 final payments to each employee. Prior paychecks to these 3 employees were issued on November 21, 2014, for the pay period November 10, 2014, through November 21, 2014.

"Special" payments

Each employee received a paycheck for 160 hours on November 26, 2014, (representing 4 weeks of pay) at each employee's hourly rate. The payments were recorded in the district's accounting system as "special" payments. No supporting documentation was retained and meeting minutes did not explain the purpose of these "special" payments. As a result, it is unclear whether these payments were for services previously rendered or for the 4 weeks following termination. The district paid Foreman Morris \$2,662 and employees Morris and Killman \$2,296 each.

These "special" payments may represent additional compensation for services previously rendered and, as such, would be in violation of Article III, Section 39, Missouri Constitution, and Attorney General's Opinion No. 72- 1955 (June 14, 1955), which states, ". . . a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

One of the employees received unemployment benefits for the month of December 2014. The district did not contest the payment of these benefits even though the "special" payments may have included compensation for part of this period.

Questionable final payments

In addition, the final paychecks also issued on November 26, 2014, to the 3 employees appear questionable. These paychecks included compensation for 24 hours of regular pay and 16 hours of holiday pay for the week ending



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November 28, 2016. The 16 hours of holiday pay was paid for November 27 and 28, 2014, the 2 days after the employees were terminated. One of the employees also received payment for 20 hours of sick leave. No documentation was retained nor did meeting minutes explain the purpose of paying these employees for holiday pay after they were terminated or for the sick leave paid to one employee. As a result, Foreman Morris was overpaid \$266, employee Morris was overpaid \$517, and employee Killman was overpaid \$230. As noted in MAR finding number 4, the district had not established any formal personnel policies to provide guidance when employees terminate employment with the district.

1.5 Personal purchases

Employees were allowed to make personal purchases by charging items to the district's vendor accounts and subsequently reimbursing the district for the personal items. However, some personal purchases were not reimbursed timely and some were not reimbursed. Also, no sales tax was paid on the personal purchases.

Foreman Morris indicated the entire time he worked for the district employees were allowed to make personal purchases, charge them to the district, and then reimburse the district. Board Commissioner Godwin also indicated employees were allowed to make personal purchases as long as the employee reimbursed the district. However, the district did not ensure all personal purchases were reimbursed, and it is questionable whether all personal purchases have been identified. We identified the following concerns:

- Employee Morris purchased 4 tires costing \$746 for his personal vehicle on March 27, 2014, and charged the tires to the district. The district subsequently paid this bill on August 4, 2014. On October 24, 2014, the employee indicated to officers of the Lawrence County Sheriff's office that he had paid for the tires personally and could prove that he had paid for them with a check. The district subsequently received a \$750 cash reimbursement for the tires from Morris on October 28, 2014.
- Foreman Morris purchased 2 tires costing \$655 for his personal loader on July 11, 2014, and charged the tires to the district. Foreman Morris provided documentation indicating he made a \$655 cash payment to the tire vendor on November 3, 2014, almost 4 months after the purchase was made and shortly after being questioned by officers of the Lawrence County Sheriff's office on October 24, 2014.
- Foreman Morris purchased a rake wheel costing \$100 for his personal equipment on June 2, 2014, and charged the rake wheel to the district. The district subsequently paid this bill on August 4, 2014. On October 24, 2014, the foreman indicated to officers of the Lawrence County Sheriff's office that he had paid for the rake wheel personally and could prove he had paid for it with a check. He also indicated to officers that a



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garnishment had been taken out of his payroll check in error and that the error was in the same amount as the cost of the rake wheel. However, he provided no documentation that the rake wheel was purchased with personal funds, and district records and the secretary/treasurer indicated no garnishment occurred. This personal purchase has not been reimbursed to the district. In addition, jumper cables costing \$83 were also purchased on this invoice, and we could not determine whether these cables are still on hand with the district.

- Four 75R016 Superhawk trailer tires, costing \$600, were purchased and charged to the district's account on March 13, 2014. The district subsequently paid this bill on April 28, 2014. However, the tires were not listed on the district's capital asset inventory conducted in January 2015, and have not been located on district property. Former district employees and board commissioners own trailers, for which these tires could have been purchased. As a result, these tires may represent another instance of an unreimbursed personal purchase.
- No sales tax was paid on any of these personal purchases.

The Board did not adequately review disbursements as noted in MAR finding number 5.3; therefore, the personal charges were not identified. Allowing employees to charge personal purchases to district accounts increases the risk that the district will pay for items not intended for district purposes or not receive timely reimbursement on personal purchases. The district sales tax exemption status should not be used to benefit individuals. Doing so is a violation of the terms of the sales tax exemption status.

Conclusion

The lack of adequate controls and record-keeping procedures and the absence of proper oversight by the Board of Commissioners, as further discussed throughout this report, allowed unsupported and questionable payments, conflicts of interest, personal purchases, and missing assets to occur and go undetected.

Recommendations

The Board of Commissioners:

- 1.1 Evaluate past improper payments and seek reimbursement as appropriate.
- 1.2 Refrain from entering into business transactions with related parties unless such services or transactions are properly bid in accordance with state law and the selection process is documented.
- 1.3 Establish a formal payroll review and monitoring process, and subject unsupported reimbursements and personal commuting miles to payroll tax withholdings as appropriate, and amend prior W-2



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forms. The Board should also take action to recover questionable and unsupported payments.

- 1.4 Ensure future final paychecks are supported by proper documentation and personnel policies, and seek reimbursement of the additional compensation paid and overpayments.
- 1.5 Prohibit employees from making personal purchases using district accounts, seek reimbursement from former employees for personal purchases, and work with law enforcement authorities regarding any criminal prosecution.

Auditee's Response

- 1.1 *We will seek reimbursement of these payments.*
- 1.2 *We will refrain from entering into business transactions with related parties unless services or transactions are properly bid in accordance with state law. In addition, we will document the selection process.*
- 1.3 *We have established a formal payroll review and monitoring process and have implemented timesheets. We will amend prior W-2 forms for unsupported reimbursements and personal commuting miles. We will seek reimbursement of these questionable and unsupported payments.*
- 1.4 *We will ensure any final paychecks are supported by timesheets, leave records, and personnel policies. We will seek reimbursement of the additional compensation and overpayments.*
- 1.5 *Employees are no longer allowed to make personal purchases on district accounts. We will seek reimbursement from former employees for personal purchases and work with law enforcement authorities regarding criminal prosecution.*

2. Financial Condition

The district is in poor financial condition as a result of overspending, lax controls over disbursements, and inadequate oversight and monitoring by the Board of Commissioners. The following table reflects actual receipts, disbursements, beginning and ending cash balances, and financial obligations (debt) for the 3 years ended December 31, 2014:



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	Year ended December 31,		
	2014	2013	2012
Beginning cash balance	\$ 6,720	12,717	20,440
Receipts	361,266	325,666	343,622
Disbursements	(333,867)	(349,556)	(403,278)
Line of credit advances	53,800	89,050	79,600
Line of credit payments	(76,956)	(71,157)	(27,667)
Ending cash balance	\$ 10,963	6,720	12,717
Financial obligations	\$ 156,148	137,179	123,350

Information was compiled from district records.

At December 31 of each year, the district's cash balance was significantly less than average annual disbursements and financial obligations. The district's financial condition improved during 2015, with a cash balance at December 31, 2015, of \$124,275. However, this improvement was primarily due to one-time incentive payments totaling \$235,000 for a railroad crossing and road closure in September 2015, and may not represent a positive trend in the district's financial condition.

Financial obligations

The financial obligations noted in the previous table include the following loans and outstanding balances.

	Year ended December 31,		
	2014	2013	2012
Line of credit balance	\$ 82,758	99,993	76,676
Accounts payable balance	44,468	20,849	23,107
Equipment loan balance	0	16,337	23,567
Vehicle loan balance	28,922	0	0
Total	\$ 156,148	137,179	123,350

Information was compiled from district records.

In September 2010, the district established a line of credit with a local bank in the amount of \$100,000 with a 6.5 percent interest rate. Periodic advances were taken to help fund the operations of the district. The district paid off the line of credit balance in October 2015.

In addition, district records and vendor invoices indicate the district maintained a significant ongoing accounts payable balance with an asphalt vendor throughout the 3 years ended December 31, 2014. The district fully paid this balance in April 2015.

Financial information

The Board does not receive accurate financial information allowing for more effective monitoring of cash balances and the financial condition of



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district funds. Accounting records and annual budgets are not accurate and bank reconciliations are not prepared (See MAR finding numbers 6 and 7).

It is essential the Board of Commissioners continue to address the district's financial condition both in the immediate- and long-term future. In addition, to effectively monitor the available cash and financial condition, the district needs complete and accurate financial reports.

Recommendation

The Board of Commissioners continue to closely monitor and take the necessary steps to improve the financial condition of the district.

Auditee's Response

We will continue to closely monitor and will take steps to improve the financial condition of the district.

3. Oversight and Segregation of Duties

Neither the current nor former Board of Commissioners established adequate segregation of duties or supervisory review over the various financial accounting functions performed by the secretary/treasurer or disbursement activities of employees. Weaknesses identified throughout this report are significant and demonstrate a lack of segregation and proper oversight by the Board. There is little assurance district monies and assets have been handled and accounted for properly.

The position of secretary/treasurer has been and remains responsible for most record-keeping duties of the district, including receiving, recording, and depositing monies; preparing invoices for payment; maintaining payroll records; preparing and distributing payroll and accounts payable checks; and preparing monthly bank reconciliations. The former foreman was responsible for reporting hours worked, procuring nearly all district purchases, submitting invoices to the former secretary/treasurer for payment, and maintaining and tracking district equipment and supplies.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, timely supervisory or independent reviews of work performed and investigation into unusual items and variances is necessary. Good management practices require extensive and detailed oversight by the Board.

The lack of adequate controls and the absence of proper oversight by the Board allowed unsupported and questionable payroll payments, personal and questionable purchases, missing assets, and noncompliance with state law to occur. Had proper controls and oversight procedures been in place, it is likely some of the problems noted in this report may have been detected more timely and/or prevented.



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Recommendation

The Board of Commissioners segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.

Auditee's Response

We will perform documented reviews of all district records including payroll, accounts payable, and inventory records.

4. Payroll and Related Matters

Significant improvement over payroll controls and procedures is needed. The district's payroll costs were \$100,012 in 2014 and \$70,125 in 2015.

4.1 Timesheets and leave records

Significant improvement is needed in the timesheets and leave records maintained by the district.

- Records of time worked or leave taken and earned were not prepared by former employees or the former secretary/treasurer. Former employees and officials indicated the foreman would call the secretary/treasurer and indicate how many hours to pay each employee (including himself) for hours worked (including overtime), holidays, and vacation and sick leave taken.
- Currently, a timesheet is prepared each pay period by the foreman that shows the time worked for all employees, but the timesheet is not signed by any of the employees and is not always signed by the foreman. In addition, leave records currently maintained do not adequately track the number of hours of vacation and sick leave earned, used, and any remaining balances.

Without timesheets or a record of leave taken, the district cannot ensure hours worked and leave earned and taken by employees are properly documented. To ensure the accuracy of the hours worked, time recorded, and leave taken, timesheets should be signed by the employee and reviewed and approved by the supervisor. Without adequate leave records, the Board cannot ensure employee leave usage and balances are accurate. Leave records also aid in determining final compensation for employees leaving district employment.

4.2 Personnel policies

The district had not established personnel policies addressing overtime, holidays, vacation and sick leave, employee benefits, allowances, requirements for the preparation of timesheets or leave records, or the employment and supervision of related employees. As a result, many payroll disbursements to employees were unsupported and questionable as noted in MAR finding number 1.3.

The district has not established adequate personnel policies for current employees. In January 2015, the current Board implemented employment agreements with each employee. While the employment agreements address various issues such as paid holidays, leave policies, and work schedules,



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some issues are not adequately addressed. These issues include guidance on timing of sick leave accrual, requirements to prepare timesheets and leave records, methods for calculating overtime, benefits available to part-time employees, and clothing allowances.

The former foreman directly supervised his son and first cousin, who were the only full-time employees of the district. The supervision of related employees can compromise a supervisor's objectivity when assigning duties, tracking leave, approving payroll, or evaluating employee performance.

Written personnel policies and/or adequately detailed employment agreements are necessary to ensure equitable treatment of employees and prevent misunderstandings.

4.3 Personnel files

Personnel files were not maintained for the district's 3 former employees. Personnel files should at a minimum contain documentation of the board's authorization for hiring the employee, the employee's authorized pay rate, and any subsequent changes in pay rate. In addition, the IRS requires employers to ensure a W-4 form is completed by each employee to support payroll withholding and taxes. Additionally, according to the Immigration Reform and Control Act of 1986, an individual may not begin employment unless an I-9 form is completed. Employers are subject to civil or criminal penalties if they do not comply. Without adequate personnel records, there is less assurance payments to employees are properly authorized.

4.4 Payroll taxes

Payroll taxes were not remitted timely to the IRS for the period June 2014 to March 2015, resulting in assessments of penalties and interest totaling \$1,212.

The Internal Revenue Code requires employers to file a 941 form by the last day of the month following the end of the quarter, along with payment of Social Security and Medicare taxes withheld from employees and the employer's share, as well as federal income taxes withheld.

4.5 Payroll advances and check dates

Pay advances were issued on 6 occasions to the district's 3 employees in 2014 and 2013 totaling \$15,015. The secretary/treasurer indicated she sometimes issued payroll checks in advance of the employee or herself taking vacation.

In addition, some checks were issued that cleared the bank in advance of the dates recorded on the actual checks and in the accounting system. Also, the dates recorded on the actual checks differed from those recorded in the accounting system.

Advance payments of employee compensation are loans of the district's funds. The Board had no statutory authority to make loans and Article VI,



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Section 23, Missouri Constitution, specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual. To properly account for all monies disbursed, all checks should be dated on the date disbursed.

Recommendations

The Board of Commissioners:

- 4.1 Ensure timesheets are prepared, properly signed and approved, and retained for all employees. In addition, the Board should ensure employee leave balances are properly tracked and monitored.
- 4.2 Adopt detailed personnel policies and/or employment agreements addressing requirements of employees and benefits provided. In addition, the policies should address the employment and supervision of relatives.
- 4.3 Maintain personnel files for all district employees.
- 4.4 Establish procedures to ensure payroll taxes are remitted to the appropriate taxing entity timely.
- 4.5 Discontinue providing payroll advances. The Board should also ensure regular payroll checks are not issued prior to the end of the pay period to which they pertain, and the dates recorded on payroll checks and in the accounting records agree.

Auditee's Response

- 4.1 *We have implemented timesheets and will ensure they are properly signed and approved and retained for all employees. We will ensure employee leave balances are properly tracked and monitored.*
- 4.2 *We will adopt more detailed personnel policies addressing requirements of employees, benefits provided, overtime, and related employees.*
- 4.3 *We currently have personnel files for all district employees.*
- 4.4 *We will ensure payroll taxes are remitted timely.*
- 4.5 *We will discontinue providing payroll advances. We will ensure regular payroll checks are not issued prior to the end of the pay period to which they pertain, and dates recorded on the payroll checks and in the accounting records agree.*



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5. Disbursements

5.1 Fuel

Controls and procedures over district disbursements need improvement.

The district does not have procedures to review and evaluate the reasonableness of vehicle usage and does not reconcile fuel usage to billings. In addition, mileage and fuel logs are not maintained for the district vehicles and equipment. Also, meters at district pumps were not working properly until April 2016, when they were repaired. District employees started estimating how much fuel was pumped from the bulk tanks in September 2015, but these records were not reconciled to fuel billings.

The district currently maintains 12 vehicles and motorized pieces of equipment and maintains bulk fuel tanks (unleaded and off-road diesel) at the district shop. The district also utilizes fuel cards at a local gas station to purchase on-road diesel, which is not available at the district shop. Unleaded fuel was also purchased at local gas stations from January to early September 2015, while unleaded bulk fuel tanks were not being utilized.

Overall fuel purchases have significantly decreased between current and former Boards and employees, and some individual fuel purchases were questionable. The following table presents fuel purchases by type from January 1, 2012, through December 31, 2015. This information was obtained from fuel vendors and district records.

Type of Fuel Purchased	Year Ended December 31,							
	2015		2014		2013		2012	
	Amount	Gallons	Amount	Gallons	Amount	Gallons	Amount	Gallons
Bulk off-road diesel	\$ 5,349	2,371	\$ 9,844	2,762	\$ 14,832	4,080	\$ 22,215	6,167
Off-road diesel-gas station	49	29	587	173	0	0	0	0
Subtotal off -road diesel	5,398	2,400	10,431	2,935	14,832	4,080	22,215	6,167
On-road diesel-gas station	1,728	724	3,368	942	403	111	1,706	424
Bulk unleaded	1,840	806	9,365	2,869	11,267	3,347	11,624	3,443
Unleaded-gas station	2,128	943	53	17	0	0	0	0
Subtotal unleaded	3,968	1,749	9,418	2,886	11,267	3,347	11,624	3,443
Total	\$ 11,094	4,873	\$ 23,217	6,763	\$ 26,502	7,538	\$ 35,545	10,034

There were no records of fuel pumped maintained prior to September 2015 to help explain the large amounts of fuel purchased in 2014, 2013, and 2012 in comparison to 2015. The gallons of unleaded fuel purchased has decreased 50 percent from 2012 to 2015, and the gallons of off-road diesel purchased has decreased 39 percent from 2012 to 2015. In addition to the significant change in overall fuel use and costs, we also identified several questionable fuel purchases at gas stations made by former employees. Examples of these purchase include:

- Someone purchased 17 gallons of unleaded fuel using a district fuel card on Sunday, September 14, 2014, which was likely a personal purchase. Unleaded district vehicles have much larger fuel tanks, which



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hold 38 to 50 gallons of fuel, and unleaded fuel was available at the district shop (approximately 5 miles from the gas station where the fuel was obtained.) Therefore, it is unlikely this fuel purchase was for a district vehicle. In addition, this was the only unleaded fuel purchase made using a fuel card from 2012 to 2014.

- Purchases of approximately 113 gallons of on-road diesel totaling \$406 using a district fuel card at a local gas station occurred on 4 weekends in 2014 and 2013.
- Someone purchased 33 gallons of on-road diesel for \$121 using a district fuel card in Purdy, Missouri, in March 2014. Purdy is 27 miles from the district shop and is outside of Lawrence County and the district.
- During 2012 and 2014, more than 100 gallons of on-road diesel was pumped on 6 occasions when the maximum fuel capacity of any district vehicle fuel tank was 100 gallons. Purchases of 826 gallons for approximately \$3,000 occurred on these 6 occasions.

Maintaining and reviewing vehicle usage logs and comparing usage to fuel purchases is necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improperly billed amounts, and decrease the risk of theft or misuse of fuel occurring without detection.

5.2 Other questionable purchases

Invoices for many items purchased by the district listed the former foreman's personal address as the billing and/or shipping address. Because the district allowed employees to make personal purchases and many of the items purchased could be used by the foreman personally or in his business, we could not determine whether all of the purchases were for the district. In addition, many of these invoices had not been retained by the district and we contacted vendors to obtain documentation. The former foreman indicated items were shipped to his personal address because the district did not have a physical mailing address and used a post office box, and because gates at the district shed were often locked during the day.

The following table lists information regarding items purchased by the district, totaling \$12,852, but the billing and/or shipping address on the invoices was the former foreman's personal residence.

Items Purchased	Amount	Years When Purchased
Lubricants, additives, aerosols, and air fresheners	\$ 4,849	2012 to 2014
Tools, parts, and lubricants	6,585	2011 to 2014
Tractor parts, washers, nuts, and bolts	1,418	2013 to 2014



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District funds were also used to purchase significant quantities of questionable or unnecessary items during 2014 and 2013. According to accounting records and invoices, the district purchased significant quantities of paint, enamel, primer, and paint thinner, several pairs of racing and camo gloves, vehicle parts for vehicles apparently not owned by the district, and numerous packages of batteries. The current district foreman indicated the district does not regularly use these items in large quantities. In addition, the district paid \$1,420 for Internet service even though the district did not have a computer.

The district's residents have placed a fiduciary trust in their public officials to spend tax revenues in a necessary and prudent manner. The Board should ensure all items purchased are shipped to the district shop and district funds are spent only on items necessary and beneficial to the district.

5.3 Disbursement review and documentation	Improvement is needed in the district's disbursement review procedures to ensure all disbursements are proper and adequately documented.
Review and approval process	Board commissioners did not document their review and approval of monthly lists of bills. In addition, invoices were not thoroughly reviewed by district personnel, generally not marked paid or otherwise canceled, and did not always have documentation acknowledging receipt of goods or services.
Duplicate payments	<p>We noted 5 duplicate payments in 2014 totaling \$1,143 and 10 duplicate payments in 2013 totaling \$3,212. One of the payments in 2013 totaling \$889 was identified as a duplicate payment by the vendor and a refund check was issued to the district in February 2013. However, the check was not deposited until May 2013, and the bank returned the check because the vendor's account had closed. The district failed to follow up with the vendor to resolve the issue, and as a result, this amount has not been recouped. The district received refunds/credits from vendors for all other duplicate payments.</p> <p>We noted another duplicate payment of \$21,094 during the year ended December 31, 2015. The payment was originally made on September 28, 2015, and then again on October 26, 2015. The vendor applied \$5,842 to charges made after the original payment and issued a refund check totaling \$15,252 to the district.</p>
Supporting documentation	In addition to the lack of documentation identified in MAR finding number 1, the district did not maintain adequate documentation of some disbursements. The district did not maintain documentation for 13 disbursements totaling \$19,348 and did not have adequately detailed supporting documentation for 77 other disbursements totaling \$106,263 in 2014. For example, payments were often made from summary statements, and detailed invoices documenting quantity, prices, and items purchased were not retained.



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To safeguard against possible loss or misuse of funds, the Board should approve all disbursements and review supporting documentation, bank information, and canceled checks. Board approval of disbursements should be documented by signing or initialing the monthly list of bills. Canceling invoices and other supporting documentation reduces the likelihood of duplicate payments, and requiring acknowledgement of the receipt of goods or services prior to payment helps ensure the district actually received all items. To ensure obligations were actually incurred and amounts paid were proper, all disbursements should be supported by paid receipts, itemized vendor invoices or other detailed documentation with payment information clearly indicated.

5.4 District checks

The former Board did not have adequate controls over checks.

- The district sometimes issued checks with only 1 signature, when the normal procedure required 2 signatures. The district issued 140 checks totaling \$112,177 with only 1 commissioner's signature during the year ended December 31, 2014. The district issued approximately 320 checks that year.
- The secretary/treasurer, who was not an authorized check signer until October 1, 2014, signed 11 checks totaling \$4,528 before becoming an authorized check signer, including 1 check issued to herself for \$367. It is questionable why that Board authorized the appointed secretary/treasurer, who performed all accounting duties, to sign checks.

Dual authorized signatures of board commissioners help provide assurance that checks represent payment for legitimate district disbursements.

- Board commissioners indicated some blank checks were signed in advance to be used for payroll checks. Signing blank checks in advance is a significant control weakness and increases the risk of misuse of monies.
- The secretary/treasurer did not properly account for the numerical sequence of checks and retain voided checks. Some checks issued could not be accounted for in the accounting system. The secretary/treasurer indicated she was unsure why the checks were not in the accounting system, but thought they were most likely printed in error and shredded. To properly account for all disbursements, the numerical sequence of checks issued should be accounted for, and voided checks should be properly defaced and retained.

5.5 Late fees

Bills were not paid timely, and the district incurred late payment fees. The district paid \$1,689 in late fees in 2014 and \$865 in late fees in 2015. To



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prevent these unnecessary costs, procedures should be in place to ensure bills are paid timely.

5.6 1099-MISC forms

The district does not have a procedure in place to prepare and file 1099-MISC forms with the IRS as required. During 2014 and 2015 the district did not file any 1099-MISC forms. In addition, 1099-MISC forms were not issued to 3 board commissioners for payments totaling \$9,730 identified in MAR finding number 1.1.

Sections 6041 through 6050W of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non-employees (other than corporations) be reported to the federal government on 1099-MISC forms. To ensure compliance with IRS requirements, the district should establish procedures to ensure 1099-MISC forms are issued in all applicable instances.

5.7 Procurement procedures

The district did not have a formal bidding policy and bids were not obtained for any goods or services during 2014. Significant purchases of goods and services not bid include rock (\$32,206), fuel (\$26,041), asphalt (\$20,880), a used dump truck (\$12,500), and hauling services (\$10,553). The district still has not established a formal bid policy.

Formal bidding procedures for major purchases or services provide a framework for economic management of district resources and help ensure the district receives fair value by contracting with the lowest or best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in district business.

Recommendations

The Board of Commissioners:

- 5.1 Establish adequate procedures and records to effectively monitor fuel use for reasonableness. The Board should work with law enforcement authorities to further investigate fuel use and purchases, and take the necessary action to recover any personal fuel purchases.
- 5.2 Ensure all purchases are shipped to the district shop and are a necessary and prudent use of district funds. The Board should work with law enforcement authorities to further investigate questionable purchases, and take the necessary action to obtain reimbursement for any personal purchases.
- 5.3 Ensure its approval of the list of bills is documented, and the approved list of bills is compared to invoices and checks written. In addition, the Board should ensure invoices are adequately reviewed



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and marked paid to prevent duplicate payments, and require documentation of receipt of goods and/or services prior to payment of invoices. The Board should also maintain adequate supporting documentation for all disbursements.

- 5.4 Ensure two board commissioners sign all checks and prohibit the practice of signing blank checks in advance. In addition, the Board should ensure the numerical sequence of checks is properly accounted for, and voided checks are retained.
- 5.5 Implement procedures to ensure bills are paid timely.
- 5.6 Prepare and file 1099-MISC forms with the IRS as required.
- 5.7 Establish formal bidding policies and procedures, including documentation requirements regarding bid specifications, the bids or quotes received, and justification for bids selected.

Auditee's Response

- 5.1 *We have implemented some fuel records and will reconcile fuel purchases and use to fuel billings. We will work with law enforcement authorities to further investigate fuel use and purchases and will take the necessary action to recover any personal fuel purchases.*
- 5.2 *All district purchases are now shipped to the district shop and are reviewed to ensure they are necessary and prudent purchases. We will work with law enforcement authorities to further investigate questionable purchases and will take the necessary action to recover any personal purchases.*
- 5.3 *We will ensure we document the approval of bills and will ensure bills are compared to invoices and checks written. We will ensure invoices are adequately reviewed and marked paid to prevent duplicate payment, and will require documentation of receipt of goods and/or services prior to payment of invoices. We will maintain adequate supporting documentation for all disbursements.*
- 5.4 *We will ensure two commissioners sign all checks and will not sign checks in advance. We will ensure the numerical sequence of checks is properly accounted for, and voided checks are retained.*
- 5.5 *We will implement procedures to ensure bills are paid timely.*
- 5.6 *We will implement procedures to prepare and file 1099-MISC forms with the IRS as required.*



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5.7 *We will establish formal bidding policies and procedures, including documentation requirements regarding bid specifications, the bids or quotes received, and justification for bids selected.*

6. Accounting Controls and Procedures

Receipt slips are not issued, monies received are not always deposited timely, bank reconciliations are not performed, and accounting records maintained are not accurate.

6.1 Receipting and depositing procedures

The district's receipting and depositing procedures are poor. As a result, there is no assurance all monies collected are properly receipted or deposited.

- Official prenumbered receipt slips are not issued for monies received.
- Monies received are not always deposited timely. For example, a \$579 check dated and received April 9, 2015, was not deposited until April 27, 2015. We identified another 25 checks deposited from 9 to 180 days after the check date.

To reduce the risk of loss, theft, or misuse of monies received going undetected, procedures should be established to ensure all monies received are properly receipted and deposited timely.

6.2 Bank reconciliations

Formal bank reconciliations had not been prepared for the district's 2 bank accounts during the year ended December 31, 2015, and through April 2016. At December 31, 2015, the bank balances in the district's checking and money market bank accounts were \$19,727 and \$110,892, respectively.

Without preparing monthly bank reconciliations, there is little assurance cash receipts and disbursements have been properly handled and recorded. In addition, accounting and bank errors may not be detected and corrected timely.

6.3 Accounting records

The district does not maintain accurate accounting records. We identified various errors and omissions in district accounting records.

- The 2014 monthly financial reports generated from the accounting systems and presented to the Board for review were not accurate and complete. Line of credit advances (\$53,800) and principal and interest payments (\$76,956) and equipment loan payments (\$17,565) were not included in the accounting system and financial reports generated for the Board's review in 2014.



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- The 2015 monthly financial reports generated from the accounting system and presented to the Board for review were also not accurate and complete. Line of credit principal and interest payments (\$85,402), vehicle loan payments (\$28,758), equipment purchases (\$23,182), and costs to construct a pole barn (\$22,900) were not included in the accounting system and financial reports generated for the Board's review in 2015. In addition, other payments to vendors were understated on the monthly financial reports presented to the Board.

Accurate and complete financial information is necessary for the Board to make informed decisions and to provide residents with reliable information about district finances. Inaccurately recorded transactions make it more difficult to detect loss or misuse of funds.

Recommendations

The Board of Commissioners:

- 6.1 Ensure official prenumbered receipt slips are issued for all monies received and the numerical sequence of receipt slips is accounted for properly. The method of payment should be documented and the composition of receipts reconciled to the composition of deposits. Additionally, the Board should ensure receipts are deposited timely.
- 6.2 Ensure monthly bank reconciliations are performed and any differences are promptly investigated and resolved.
- 6.3 Ensure accounting records are accurately maintained.

Auditee's Response

- 6.1 *We will ensure official prenumbered receipt slips are issued for all monies received and the numerical sequence of receipt slips is accounted for properly. We will ensure the method of payment is documented and the composition of receipts is reconciled to the composition of deposits. We will ensure receipts are deposited timely.*
- 6.2 *We will ensure bank reconciliations are performed monthly. We will ensure any differences are investigated and resolved.*
- 6.3 *We will ensure accounting records are accurately maintained.*

7. Budgetary Procedures and Financial Reporting

The district does not comply with state law relating to budget preparation and monitoring, and submitting financial statements.



Buck Prairie Special Road District
Management Advisory Report - State Auditor's Findings

7.1 Budgetary procedures

The Board does not have adequate procedures to prepare or monitor budgets.

Preparation and accuracy

The district's budgets do not contain all statutorily required elements. The 2014 and 2015 budgets did not include a budget message, and budgeted amounts for the 2 preceding years. In addition, beginning available resources and estimated and actual ending available resources were not included in the 2015 or 2016 budgets, but are needed to present a complete financial plan for district finances. Budget documents also did not present accurate actual receipt and disbursements due to problems noted in MAR finding number 6.3, and the Board approved a deficit fund balance of (\$148,555) on the 2014 budget.

Section 67.010, RSMo, requires the budget to present a complete and accurate financial plan for the ensuing budget year, outlines the various information to be included in the budget, and prohibits deficit budgeting. A complete budget should include the beginning available resources and a reasonable estimate of the ending available resources. An accurate, complete, and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of district operations.

Monitoring

The Board did not adequately monitor budget-to-actual receipts and disbursements. Actual disbursements exceeded budgeted amounts by \$58,206 in 2014 and \$181,590 in 2015.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted, but allows for budget increases if the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no disbursement of public monies should be made unless it is authorized in the budget. Proper budget monitoring and amending of them when applicable is necessary for budgets to be an effective management tool and comply with state law.

7.2 Financial reporting

The district did not file a financial report with the State Auditor's Office for the year ended December 31, 2014. Section 105.145, RSMo, requires certain political subdivisions to file an annual financial report with the State Auditor's Office, and 15 CSR 40-3.030 requires an annual financial report be submitted within 6 months after the end of the political subdivision's fiscal year.



Buck Prairie Special Road District
Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Commissioners:

- 7.1 Prepare accurate annual budgets that contain all information required by state law, and ensure the budget and financial condition are adequately monitored.
- 7.2 Submit an annual financial report to the State Auditor's Office as required by state law.

Auditee's Response

- 7.1 *We will ensure annual budgets are accurately prepared and will ensure the budget and financial condition are adequately monitored.*
- 7.2 *We will ensure an annual financial report is submitted to the State Auditor's Office as required by state law.*

8. Sunshine Law Issues and Record Retention

The district did not always ensure compliance with the Sunshine Law, and the district needs to improve procedures for record retainage.

8.1 Meeting minutes

The Board of Commissioners did not always comply with the Sunshine Law.

- Neither the Board nor district personnel retained meeting minutes for meetings held prior to October 27, 2014. Although the former foreman provided some meeting minutes for past years (2000 to 2007 and 2012), none were provided for the periods 2008 to 2011 and 2013 to October 2014.
- A roll call vote to enter into a closed session and the reason for closing the meeting, including a reference to a specific section of the law, was not documented for the 7 closed sessions held from December 2014 through January 2016. In addition, notice was not properly given for 6 of these 7 closed sessions.
- Some issues discussed in closed meetings held from December 29, 2014, through January 25, 2016, were not allowable under the Sunshine Law. For example, the hourly wages and fringe benefits offered to newly hired employees and the amount of employee raises were repeatedly discussed in closed meetings.

The Sunshine Law, Chapter 610, RSMo, limits discussions in closed meetings to only those specifically allowed by law; requires governmental bodies to prepare and maintain minutes of open and closed meetings; and



Buck Prairie Special Road District Management Advisory Report - State Auditor's Findings

requires minutes to include at a minimum the date, time, place, members present, members absent and votes taken, including roll call votes before closing a meeting. The law also requires meeting notice (including closed sessions) be given at least 24 hours prior to all meetings of a public governmental body.

8.2 Record retention

Many bank statements, invoices, and other financial records could not be located and were obtained from the bank, the former secretary/treasurer, and district vendors. The district did not require the former secretary/treasurer to return various accounting records to the district upon her resignation.

Retention of records is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, provides that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

Recommendations

The Board of Commissioners:

8.1 Ensure meeting minutes are maintained for all meetings, and the vote to close a session is documented in the open minutes, along with the reason for closing the session. In addition, the Board should ensure meeting notices are given for all district meetings and only allowable subjects are discussed in closed session.

8.2 Retain records in accordance with state law.

Auditee's Response

8.1 *We will ensure meeting minutes are maintained for all meetings, and the vote to close a session is documented in the open minutes along with the reason for closing the session. We will ensure meeting notices are given for all district meetings and only allowable subjects are discussed in closed session.*

8.2 *We will ensure records are retained in accordance with state law.*

9. Road Maintenance

An annual maintenance plan has not been prepared to document expected work on district roads and bridges, a listing of district roads is not maintained, and the district paved 2 private roads.

9.1 Maintenance plan

The district has not developed a formal annual maintenance plan for district roads and bridges, and does not maintain a listing of public roads under its legal authority.

A formal maintenance plan and a list of public roads under its legal authority should be prepared in conjunction with the annual fiscal budget and include a description of the roads and bridges needing maintenance, the type of work to be performed, an estimate of the quantity and cost of



Buck Prairie Special Road District Management Advisory Report - State Auditor's Findings

materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan could be included in the budget message and approved by the Board. In addition, a public hearing should be held to obtain input from district citizens.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of roads and bridges throughout the year.

9.2 Private roads

During 2012, the district paved 2 private roads, did not retain documentation showing how billed amounts were calculated, and did not seek reimbursement of some of the related paving costs.

One of the private roads (Lawrence 1242) belonged to then Commissioner Godwin, who reimbursed the district \$2,700 for the paving work. Godwin indicated his road was two-tenths mile and the cost to pave it was based on annual bids obtained by Lawrence County to pave 1 mile of road. However, based upon the county's bid documents we obtained, Godwin should have paid \$3,000 (\$1,500 per tenth of mile). In addition, the costs to pave the other private road (Lawrence 1241), which was one-tenth mile, were reimbursed by a citizen at \$1,300 or \$300 less than costs based on county bid documents.

Special road districts do not have the authority to maintain private roads. Section 233.070, RSMo, states a special road district board has sole, exclusive and entire control and jurisdiction over all public highways within its district outside the corporate limits of any city or village and at all times will keep the public roads under its charge in as good repair as funding will permit. In addition, Article VI, Section 23, Missouri Constitution, specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

Recommendations

The Board of Commissioners:

- 9.1 Establish a formal annual maintenance plan for district roads and bridges and a listing of all public roads within the district.
- 9.2 Ensure maintenance is performed only on public roads and seek reimbursement of the remaining costs for paving the two private roads.



Buck Prairie Special Road District
Management Advisory Report - State Auditor's Findings

Auditee's Response

- 9.1 *We will establish a formal maintenance plan for district roads and bridges and a listing of all public roads within the district.*
- 9.2 *We will ensure maintenance is performed only on public roads and will seek reimbursement for the remaining costs to pave the 2 private roads.*

10. Capital Asset and Inventory Records

Several assets purchased by the district are missing, and capital asset and inventory records and procedures need improvement.

10.1 Missing assets

Several items purchased by the district in 2014 and 2013, totaling \$1,822, were not listed on the district's capital asset inventory conducted in January 2015, and have not been located on district property. The missing items include:

Description	Amount
12 volt hydraulic power unit	\$ 400
Welding outfit	300
DeWalt hammer drill & impact driver	295
DeWalt chop saw	202
Welding helmet	185
Welding helmet	130
DeWalt cordless reciprocating saw	110
Aluminum spray gun	100
Welding helmet	100

To ensure the validity and propriety of district purchases and to decrease the risk of theft or misuse of district assets occurring without detection, procedures should be established to monitor and account for items purchased.

10.2 Capital assets

The district did not maintain detailed capital asset records including land, buildings, vehicles, equipment, and other personal property. Former district employees prepared a list of district vehicles and equipment in October 2014, at the request of Board Commissioner Beard. In January 2015, an inventory was conducted and a detailed list of vehicles, equipment, and other personal property (such as small engine equipment, hand tools, supplies, and culverts) was prepared by the current Board. However, the current capital asset records do not include district land and buildings, and the district does not tag district assets for specific identification.



Buck Prairie Special Road District Management Advisory Report - State Auditor's Findings

Adequate capital asset records and procedures are necessary to secure better internal control over district property. Capital asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and include a detailed description of the assets such as acquisition costs, descriptions, make and model number, and asset identification numbers; the physical location of the assets; and the date and method of disposition of assets. Capital assets should be identified with a tag or similar device, and the district should conduct annual physical inventories and compare the results to the detailed property records.

10.3 Inventory records

Inventory records are not maintained to account for supplies and materials purchased or stored for the daily operations of the district. The district typically stores gravel, salt, culverts, and other supplies at the district shop. Without inventory records, the Board cannot effectively evaluate the reasonableness of purchases and usage of supplies and materials, and theft and improper usage may go undetected.

Recommendations

The Board of Commissioners:

- 10.1 Establish controls and procedures to monitor and account for items purchased, investigate unaccounted for items, and take necessary action to recover any missing items.
- 10.2 Ensure complete capital asset records are maintained, assets are properly tagged for identification, and annual physical inventories are performed and compared to detailed records.
- 10.3 Maintain adequate inventory records to account for district supplies and materials.

Auditee's Response

- 10.1 *We will establish controls and procedures to monitor and account for items purchased. We will investigate the missing items and will take the necessary action to recover the items.*
- 10.2 *We will ensure complete capital asset records are maintained, assets are properly tagged, and annual physical inventories are performed and compared to detailed records.*
- 10.3 *We will ensure adequate inventory records are maintained for some district supplies and materials, such as culverts.*

Buck Prairie Special Road District

Organization and Statistical Information

Buck Prairie Special Road District was incorporated in 1902 and organized under Section 233 through Section 233.165, RSMo. The district maintains 95 miles of road in southeastern Lawrence County, Missouri. The Board of Commissioners consist of three commissioners who serve 3-year terms. The commissioners elect a President and Vice President of the board.

Board of Commissioners

Name	Dates of Appointment
Current:	
Lorene Beard, President	August 2014
John Oczkus, Vice President	December 2014
Jule Dotson	December 2014
Name	Dates of Service
Former:	
Terry Metcalf	April 2006-November 2014
Randy Stine	April 2014-November 2014
Randall Gamble	April 2012-June 2014
Gene Godwin	April 2008-April 2014
Terry Hickman	October 2004-April 2012

Employees

Name	Job Title	Date of Hire
Current:		
Dustin Miller	Foreman*	January 2015
Bernard Fabro	Part-time employee	January 2015
Billie Silvils	Full-time employee	August 2015
Name	Job Title	Dates of Service
Former:		
Blaine Morris	Foreman	1995-November 2014**
Scott Killman	Full-time employee	1995-November 2014**
Austin Morris	Full-time employee	2005-November 2014**

* Dustin Miller became the foreman in August 2015, when Randall Gamble resigned. Randall Gamble was hired in January 2015, and resigned in July 2015.

** Dates of service provided by the former foreman.

Secretary/Treasurer

Heather Davis served as the district's secretary/treasurer from 2010 until November 2014. Michael Kaup was appointed in December 2014, and currently serves in that role. Heather Davis received compensation of \$4,076 during the year ended December 31, 2014, and Michael Kaup received compensation of \$3,701 during the year ended December 31, 2015.

Financial Activity

For comparative purposes, a summary of the district's financial activity for the years ended December 31, 2015, and 2014, follows:



Buck Prairie Special Road District
Organization and Statistical Information

	Year Ended December 31,	
	2015	2014
RECEIPTS		
Capital improvement sales tax	\$ 138,627	120,472
Property taxes	144,315	142,407
County aid road trust	96,983	91,422
Railroad crossing closure incentive	235,000	0
Line of credit advances	0	53,800
Interest	111	10
Other	5,422	6,955
Total Receipts	620,458	415,066
DISBURSEMENTS		
Accounting and professional services	3,701	4,076
Advertisements	1,024	19
Building and equipment	74,840	17,565
Contract labor	450	5,651
Fuel and oil	12,936	20,650
Equipment repairs	22,949	20,811
Insurance	17,885	31,856
Line of credit payments and interest	85,402	76,956
Miscellaneous	105	3,116
Payroll and employee withholdings	70,125	100,012
Employer tax contributions	5,365	7,651
Unemployment and payroll penalties	13,887	267
Road repairs	190,662	105,843
Supplies	3,696	7,585
Telephone	1,447	3,814
Utilities	2,671	4,951
Total Disbursements	507,145	410,823
RECEIPTS OVER (UNDER) DISBURSEMENTS	113,313	4,243
CASH, January 1	10,963	6,720
CASH, December 31	\$ 124,276	10,963



Office of Missouri State Auditor
Nicole Galloway, CPA

**Waynesville R-VI School District
Cash Handling Internal Controls**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Waynesville R-VI School District Cash Handling Internal Controls

Background	On March 21, 2016, the Waynesville R-VI Board of Education requested the State Auditor's Office review the district's internal controls over cash handling processes. The State Auditor's Office reviewed cash handling internal controls at collection points in schools and departments throughout the Waynesville R-VI School District (district), in addition to controls in the Athletic Department and school stores. Food service cash handling internal controls were not reviewed because they had already been reviewed by other auditors.
Districtwide Policies and Procedures	The district does not have comprehensive cash handling policies and procedures. Written policies and procedures only address petty cash funds. Cash handling procedures varied significantly by location, and only one school developed guidance for staff.
Waynesville Career Center	Significant improvements are needed in the career center's cash handling internal controls and procedures. The career center has not adequately segregated the duties of receiving, recording, and depositing or transmitting monies in the main office, and documented supervisory or independent reviews of the accounting records are not performed. Program personnel do not always provide supporting documentation with transmitted monies and an independent review of the receipts is not always performed to ensure all monies are received. Prenumbered receipt slips are not always issued and receipt slips issued do not always indicate the method of payment, checks are not always restrictively endorsed immediately when received, and receipts are not always transmitted or deposited timely and intact. The career center also does not follow the district's petty cash procedures.
Athletic Department	Significant improvements are needed in the athletic department's cash handling internal controls and procedures. The athletic department does not issue prenumbered receipt slips, a supervisory or independent review to ensure monies received are deposited is not performed, and receipts are not always deposited intact. Tickets are not issued to attendees of district athletic events and the district uses no other method to track attendance. As a result, the athletic department cannot verify the propriety of collection amounts for comparison to deposits. The athletic department also does not follow the district's petty cash procedures and does not ensure petty cash is used for allowable purposes.
School Stores	School store internal controls need improvement. There are no sales records utilized to track collections. As a result, no reconciliation of receipts to transmittals or deposits can be performed. Neither store sponsors nor student workers maintain perpetual inventory records, conduct periodic physical inventory counts, or reconcile inventory to merchandise sales and purchases.
Waynesville High School	Significant improvements are needed in the high school's cash handling internal controls and procedures. The high school has not adequately segregated the duties of receiving, recording, and depositing or transmitting monies, and documented supervisory or independent reviews of the accounting records are not performed. Prenumbered receipt slips are not always issued, activity sponsors do not always submit supporting documentation with monies transmitted, receipt slips do not always indicate the method of payment, checks are not always restrictively endorsed

immediately when received, and receipts are not always transmitted or deposited timely and intact. The high school also does not follow the district's petty cash procedures.

**Waynesville Middle School
and the Sixth Grade Center**

Significant improvements are needed in cash handling internal controls and procedures at the Waynesville Middle School and Sixth Grade Center. The middle school and Sixth Grade Center have not adequately segregated the duties of receiving, recording, and depositing or transmitting monies, and documented supervisory or independent reviews of the accounting records are not performed. Prenumbered receipt slips are not always issued, activity sponsors do not always submit supporting documentation with monies transmitted, receipt slips do not always indicate the method of payment, checks are not always restrictively endorsed immediately when received, and receipts are not always transmitted or deposited timely and intact. The middle school and Sixth Grade Center also do not follow the district's petty cash procedures and the Sixth Grade Center does not ensure petty cash is used for allowable purposes.

Elementary Schools

Significant improvements are needed in the cash handling internal controls and procedures at the district's 5 elementary schools. The elementary schools have not adequately segregated the duties of receiving, recording, and depositing or transmitting monies, and documented supervisory or independent reviews of the accounting records are not performed. Prenumbered receipt slips are not always issued, activity sponsors do not always submit supporting documentation with monies transmitted, checks are not always restrictively endorsed immediately when received, and receipts are not always deposited timely and intact. The elementary schools also do not follow the district's petty cash procedures and do not ensure petty cash is used for allowable purposes.

**Williams Early Childhood
Center**

Significant improvements are needed in the cash handling internal controls and procedures at the Williams Early Childhood Center, the pre-kindergarten portion of an elementary school located on the Fort Leonard Wood military base. The center has not adequately segregated the duties of receiving, recording, and depositing or transmitting monies, and documented supervisory or independent reviews of the accounting records are not performed. Prenumbered receipt slips are not issued and checks are not always restrictively endorsed immediately when received. The center also does not follow the district's petty cash procedures.

Because of the nature of this report, no overall rating is provided.
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Waynesville R-VI School District

Cash Handling Internal Controls

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Board of Education
Waynesville R-VI School District

The State Auditor conducted an audit of cash handling internal controls of the Waynesville R-VI School District under authority granted in Section 29.205, RSMo. We have audited certain operations of the district in fulfillment of our duties. The district engaged KPM, Certified Public Accountants (CPAs) and Advisors, to audit the district's financial statements for the year ended June 30, 2015, and perform a limited engagement to review the Food Service Department accounting records and internal controls over food service collections. To minimize duplication of effort, we reviewed the CPA firm's audit reports. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2016. The objectives of our audit were to:

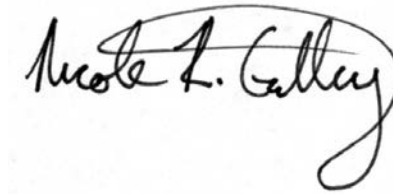
1. Evaluate the district's internal controls over cash handling practices and functions.
2. Evaluate the district's compliance with district and Board of Education policies and procedures for handling cash.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions, as they relate to handling cash.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with policies and procedures, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of cash handling internal controls of the Waynesville R-VI School District.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Kelly Davis, M.Acct., CPA, CFE
In-Charge Auditor:	Matthew Schulenberg, CFE
Audit Staff:	Steven J. Barton
	Lisa Schlup
	Sherrye Lesmes
	Erin Dierksen

Waynesville R-VI School District

Cash Handling Internal Controls

Introduction

Background

On March 21, 2016, the Waynesville R-VI Board of Education (Board) requested the State Auditor's Office (SAO) review the district's internal controls over cash handling processes. The Waynesville R-VI School District (district) also released a public statement on that date indicating an investigation was being conducted into a discrepancy in certain district financial records. The district identified the problem, which the district indicated appears to involve one specific area of district operations and only one employee, and had already requested the assistance of the Missouri State Highway Patrol. The Board also engaged other auditors, including KPM, CPAs and Advisors, to review specific operations of the district.

On March 22, 2016, the SAO began an audit of the district's cash handling internal controls. The SAO reviewed cash handling internal controls at all collection points, except the Food Service Department, in the following schools or departments: Waynesville High School, Waynesville Career Center, Waynesville Middle School, Waynesville Sixth Grade Center, Freedom Elementary, East Elementary, Thayer Elementary, Partridge Elementary, Wood Elementary, Williams Early Childhood Center, the Community Resources department, and the Operational Services department. In addition to these schools and departments, the SAO also reviewed cash handling internal controls in the Athletic Department and school stores located at the Waynesville High School, the Waynesville Career Center, and the Waynesville Sixth Grade Center. We did not review Food Service Department cash handling internal controls because controls in that department had already been reviewed by other auditors. Individual findings for each area have been identified in the Management Advisory Report section.

The following table presents beginning and ending activity fund balances, total receipts, and total disbursements for each school or specific area in the district for the fiscal year ended June 30, 2016. The majority of the funds received directly by schools and departments are in the form of cash.

	Activity Fund			Activity Fund
	Balance			Balance
	July 1, 2015	Receipts	Disbursements	June 30, 2016
School:				
Career Center	\$ 156,132	504,691	297,730	363,093
Athletic Department	43,252	151,703	157,130	37,825
High School	133,297	260,132	272,183	121,246
Middle School	48,833	81,386	73,911	56,308
Sixth Grade Center	10,355	20,180	26,230	4,305
Wood Elementary	3,075	13,745	13,352	3,468
Thayer Elementary	5,762	15,932	12,712	8,982
East Elementary	9,950	47,216	34,700	22,466
Partridge Elementary	5,317	14,073	9,234	10,156
Freedom Elementary	8,575	36,729	28,051	17,253
Williams Early Childhood Center	6,784	13,495	9,147	11,132
Community Resources	341,136	65,835	222,956	184,015
Operational Services	3,426	2,856	1,000	5,282
Totals	\$ 775,894	1,227,973	1,158,336	845,531

Waynesville R-VI School District

Cash Handling Internal Controls

Management Advisory Report-State Auditor's Findings

1. Districtwide Policies and Procedures

The district does not have sufficient policies and procedures to ensure monies receipted are secure and accounted for properly.

The district does not have comprehensive cash handling policies and procedures. The district's written policies and procedures only address petty cash funds. Our review determined cash handling procedures varied significantly by location and only one school developed guidance for staff.

As noted throughout the report, the lack of consistent districtwide procedures led to many schools with insufficient or no records of monies received, and therefore the district cannot ensure monies were deposited. Even in schools or areas with records, there is only limited assurance that monies received were deposited.

A lack of overall policies and procedures related to cash handling increases the risk that monies are susceptible to loss, theft, or misuse.

Recommendation

The Board of Education should establish sufficient policies and procedures to ensure all monies are receipted and deposited, and petty cash funds are properly handled.

Auditee's Response

The district agrees there is an immediate need for revision to both policies and procedures across the district to accurately receive, account for, and deposit monies received by our schools on a daily basis. The district recognizes the need for standardization of these practices throughout all of our buildings. The district is currently working on procedures to promote maximum effectiveness, consistency, and efficiency. The district also recognizes the need for districtwide communication and training once these new policies and procedures have been established and plans to work diligently to obtain this.

2. Waynesville Career Center

Significant improvements are needed in the career center's cash handling internal controls and procedures. The career center receives monies for student fees (uniforms, program application fees, etc.); tuition; services fees (automotive, cosmetology, and catering services); membership dues; and store and fundraiser sales. Monies are collected at various locations at the career center, including the main office and in specific programs (automotive, cosmetology, school store, health science, nursing, adult education, computer maintenance, culinary arts, Future Farmers of America, Future Business Leaders of America, Junior Reserve Officers' Training Corps, and SkillsUSA). Monies collected by the programs and two main office secretaries are transmitted to the career center's financial secretary (also in the main office) for deposit. The financial secretary also collects monies, and these monies are included in deposits with other transmitted monies.



Waynesville R-VI School District
Cash Handling Internal Controls
Management Advisory Report - State Auditor's Findings

2.1 Segregation of duties and supervisory review

The career center has not adequately segregated the duties of receiving, recording, and depositing or transmitting monies in the main office, and documented supervisory or independent reviews of the accounting records are not performed. Three secretaries are primarily responsible for all accounting duties, including receipting monies and recording transactions, and there is no independent review of their work. The program personnel transmitting these monies do not always provide supporting documentation and the secretaries do not always perform an independent review of the receipts to ensure all monies are received. The financial secretary is responsible for preparing deposits for all monies the career center receives, but no supervisory or independent review is performed to ensure all monies are deposited.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, periodic documented supervisory or independent reviews of accounting records should be performed.

2.2 Receipting and depositing

Prenumbered receipt slips are not always issued and receipt slips issued do not always indicate the method of payment, checks are not always restrictively endorsed immediately upon receipt, and receipts are not always transmitted or deposited timely and intact.

- Prenumbered receipts slips are not always issued for monies received by the main office or for monies received in other programs, and are not reconciled to transmittals/deposits. Main office personnel issue a school activities receipt for monies transmitted, but they are not prenumbered. Some programs do not issue receipt slips and others do not issue prenumbered receipt slips. For the programs that issue prenumbered receipt slips, no one accounts for the numerical sequence. As a result, receipt records cannot be reconciled to transmittals/deposits to ensure all monies are deposited. Without prenumbered receipt slips, there is less support to show all monies received were deposited.
- Main office and program personnel do not always indicate the method of payment (cash, check, or money order) on receipt slips so the composition of receipts cannot be reconciled to the composition of deposits.
- Checks are not restrictively endorsed immediately upon receipt. All checks are transmitted to the financial secretary for endorsement, and the financial secretary does not endorse checks until a deposit is prepared. During our review of deposits, we noted 4 unendorsed checks with blank "pay to the order of" lines, and based on receipts records



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these checks were held from 6 to 33 days prior to being endorsed and deposited.

- Receipts are not always transmitted or deposited timely and intact. We noted instances where monies received by the main office were withheld from a deposit and not deposited for more than 20 days. We also noted an instance where monies for a golf tournament were not transmitted to the main office for deposit until approximately 6 weeks after the tournament.

In addition, monies transmitted to the career center were not always deposited intact. We noted personal checks from career center personnel, at least one with the memo notation of "cash," were included in deposits and equivalent amounts of transmitted cash were not deposited indicating personal checks were cashed with transmitted receipts. In addition, we noted other unrecorded checks included in the deposit and equivalent cash amounts not deposited. The financial secretary indicated in at least one instance this was done because career center employees wrote checks to the career center for a charity collection, but the center wanted to make the donation in cash. The financial secretary removed the equivalent amount of cash from transmitted cash receipts to make the cash donation. For the year ended June 30, 2016, undeposited cash receipts totaled \$365. The Supporting Documentation for Undeposited Career Center Cash Receipts section provides details regarding transactions that comprise the \$365, and the explanations provided for the differences. We were unable to confirm the accuracy of the explanations provided.

To ensure all monies received are accounted for properly, official prenumbered receipt slips should be issued in numerical order for all monies received and the method of payment should be recorded on receipt slips and reconciled to the composition of receipts recorded on the deposits or transmittals. The failure to record all receipts and transmit and deposit monies intact and timely increases the risk of loss, theft, or misuse of funds.

2.3 Petty cash

The career center does not follow the district's petty cash procedures. Petty cash is maintained in the main office, the nursing program, and the adult education program. Petty cash funds are not handled on an imprest basis or replenished as required by district procedure, and amounts on hand sometimes exceed the allowed maximum. Daily receipts are used to replenish the funds and comingled with petty cash monies. Petty cash on hand at the career center's main office, the nursing program, and the adult education program totaled \$2,038, \$308, and \$115 on March 29, 2016, respectively.



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District procedures state petty cash funds should not exceed \$300, and paid receipts and cash on hand should total the authorized fund amount. District procedures also require schools to submit a request to replenish the petty cash fund to the district's administrative office accompanied with a summary sheet with all disbursements properly accounted for to replenish funds. Petty cash funds should only be reimbursed through district disbursement and not from daily receipts. Establishing petty cash funds on an imprest basis and ensuring the funds are used only for intended purposes reduces the risk of loss, theft, and misuse. In addition, keeping daily receipts separate from petty cash funds and replenishing petty cash through district reimbursement rather than using daily receipts, helps ensure daily receipts are tracked and deposited intact.

Recommendations

The Board of Education:

- 2.1 Adequately segregate accounting duties or ensure documented supervisory or independent reviews of accounting records are performed.
- 2.2 Ensure monies are properly receipted, transmitted and deposited timely and intact, receipt slips indicate the method of payment, and receipts are reconciled to the composition of deposits. Also, the Board of Education should ensure supporting documentation is submitted with all transmittals of monies and reconciled to the transmittal and checks are restrictively endorsed upon receipt.
- 2.3 Ensure handling of petty cash funds adheres to district procedures.

Auditee's Response

- 2.1 *The district is aware of a need for consistent and efficient systems to segregate accounting duties and ensure the adequate documented supervisory review of those records. The district is currently reviewing procedures to provide the needed safeguards.*
- 2.2 *The district is in the process of establishing an SOP (Standard Operating Procedures) for cash collection, including but not limited to, prenumbered receipt slips for all monies collected and transmitted, timely depositing procedures, independent reviews and reconciliations of monies collected, and properly endorsed checks. The district will work vigorously to provide yearly training to all staff with cash handling responsibilities.*
- 2.3 *The district agrees all locations should adhere to the district policies and procedures for petty cash. The district plans to implement regular training and balancing reviews to ensure all locations are complying.*



3. Athletic Department

Significant improvements are needed in the athletic department's cash handling internal controls and procedures. The athletic department is responsible for school sponsored athletic teams at the high school and middle school level. The athletic department receives monies for registration fees, gate admissions, lost or damaged team accessories, and specialized sports apparel or equipment. Monies are collected in the athletic department office and at various athletic events. Monies collected for gate admissions at athletic events are transmitted to the athletic department secretary for deposit. Transmitted monies, along with monies collected by the athletic department secretary, are combined for deposit.

3.1 Receipting and depositing

The athletic department does not issue prenumbered receipt slips, a supervisory or independent review to ensure monies received are deposited is not performed, and receipts are not always deposited intact.

- Receipts slips are not issued. Students occasionally pay for specialized apparel or equipment, such as hats, at the beginning of the season. The athletic department secretary is responsible for collecting the monies associated with the specialized apparel or equipment and preparing the deposits. However, receipt slips are not issued for the monies collected and no other documentation is utilized to ensure all monies received are deposited.
- There is no supervisory or independent review to ensure registration fees are deposited. Student athletes are required to pay a registration fee to participate in school sponsored athletic programs. When registration fees are collected, a registration card is completed and logged in a ledger. The athletic department secretary is responsible for logging the registration fees in the ledger and preparing the deposits. A supervisory or independent review of this process is not performed.
- Receipts are not always deposited intact. The secretary indicated she will occasionally issue a cash refund from monies on hand.

To ensure all monies received are accounted for properly, official prenumbered receipt slips should be issued in numerical order for all monies received, and the method of payment should be recorded on receipt slips and reconciled to the composition of receipts recorded on the deposits or transmittals. In addition, periodic documented supervisory or independent reviews of accounting records should be performed. The failure to transmit and deposit monies intact and properly document such procedures increases the risk of loss, theft, or misuse of funds.

3.2 Athletic events

Tickets are not issued to attendees of district athletic events and the district uses no other method to track attendance. As a result, the athletic department cannot verify the propriety of collection amounts for comparison



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to deposits. In addition, there is no documented independent verification of the beginning cash amounts at various athletic events.

Gatekeeping startup cash is provided to workers to make change at each event. At the end of the event, all cash is counted and the difference between the startup cash and the total counted is deposited and recorded as admissions fees for that event. The athletic department utilizes a control sheet with designated areas for approval/verification to account for startup cash and admission fees. The athletic department secretary is primarily responsible for counting the startup cash and preparing the control sheet; however, the beginning cash is not verified by anyone other than this secretary who initially prepares the control sheet.

To ensure monies are accounted for properly and deposited, tickets should be issued for athletic events or another method developed to account for attendance, and beginning and ending cash amounts should be independently verified. The failure to account for all monies collected and properly document such procedures increases the risk of loss, theft, or misuse of funds.

3.3 Petty cash

Constant amount

The athletic department does not follow the district's petty cash procedures.

Petty cash at the athletic department is not maintained on an imprest basis or replenished as required by district procedure, and amounts on hand sometimes exceed the allowed maximum. Petty cash at the athletic department is maintained in the main office. Daily receipts are used to replenish the fund and comingled with petty cash monies. Petty cash on hand totaled \$384 on March 23, 2016.

District procedures state petty cash funds should not exceed \$300, and paid receipts and cash on hand should total the authorized fund amount. District procedures also require schools to submit a request to replenish the petty cash fund to the district's administrative office accompanied with a summary sheet with all disbursements properly accounted for to replenish funds. Petty cash funds should only be reimbursed through district disbursement and not from daily receipts. Establishing petty cash funds on an imprest basis and ensuring the funds are used only for intended purposes reduces the risk of loss, theft, and misuse. In addition, keeping daily receipts separate from petty cash funds and replenishing petty cash through district reimbursement rather than using daily receipts, helps ensure daily receipts are tracked and deposited intact.

Cash refunds

Petty cash at the athletic department is used for issuing cash refunds and these disbursements are not documented in an activity log. The athletic department issues cash refunds from petty cash for registration fees if a student later does not participate in the registered athletic activity. Athletic



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department personnel indicated refunds are handled in this manner to speed up the refund process.

District procedures state all disbursements from petty cash should be supported by receipted bills or other evidence documenting the expenditure in a form available for audit.

Recommendations

The Board of Education:

- 3.1 Ensure monies are properly receipted, transmitted and deposited timely and intact, receipt slips indicate the method of payment, and receipts are reconciled to the composition of deposits. In addition, the Board of Education should ensure an adequate supervisory or independent review of accounting records is performed and documented.
- 3.2 Establish written policies and procedures for tracking athletic event attendance to have a basis to perform a reconciliation between attendance and cash collections. In addition, the Board of Education should ensure beginning and ending cash collection amounts are verified by someone independent of the process.
- 3.3 Ensure handling of petty cash funds adheres to district procedures and petty cash is used for allowable purposes.

Auditee's Response

- 3.1 *The district is in the process of establishing an SOP for cash collection, including but not limited to, prenumbered receipt slips for all monies collected and transmitted, timely depositing procedures, independent reviews and reconciliations of monies collected, and properly endorsed checks. The district will work vigorously to provide yearly training to all staff with cash handling responsibilities.*
- 3.2 *The district can see the need for the ability to track athletic event attendance to ensure an accurate account of monies collected. The district is currently researching the most efficient and effective process to implement for these collections.*
- 3.3 *The district agrees all locations should adhere to the district policies and procedures on petty cash. The district plans to implement regular training and balancing reviews to ensure all locations are complying.*

4. School Stores

School store internal controls need improvement. To provide additional educational value to the students working in the school stores, students



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should be taught to operate the stores using proper record-keeping procedures and effective internal controls.

We reviewed procedures at the high school coffee shop and the career center and Sixth Grade Center school stores. The coffee shop and school stores are run by students under the supervision of a store sponsor (teacher). During the 2014-2015 school year, the high school coffee shop, the career center store, and the Sixth Grade Center store receipted monies totaling approximately \$37,900, \$34,000, and \$3,400, respectively.

4.1 Receipting and depositing

Improvements are needed in the handling of coffee shop and school store collections. The coffee shop and school stores use cash boxes rather than a cash register for receipts, and no sales records are utilized to track collections. As a result, no reconciliation of receipts to transmittals or deposits can be performed. While the students are primarily responsible for collecting monies, the store sponsor is responsible for all other accounting duties, including preparing and transmitting deposits. Store personnel either transmit collections to the respective school secretaries for deposit or take them directly to the bank for deposit. However, without sales records the sponsor cannot ensure transmittals or deposits are complete.

To ensure monies are accounted for properly and transmitted or deposited, sales records should be used and reconciled to monies collected and the method of payment should be recorded and reconciled to the composition of receipts recorded in the transmittal/deposit. In addition, periodic documented supervisory or independent reviews of accounting records should be performed.

4.2 Inventory

Neither the store sponsors nor student workers maintain perpetual inventory records, conduct periodic physical inventory counts, or reconcile inventory to merchandise sales and purchases. The store sponsors only perform a weekly check to determine what merchandise is needed to run the stores.

Loss, theft, or misuse of school store inventory may go undetected without adequate inventory records and documented reconciliations. Effective inventory internal controls require maintaining perpetual records of all inventory items and performing a reconciliation of the balances obtained during the physical inventory count and the balances recorded on the perpetual inventory records.

Recommendations

The Board of Education:

- 4.1 Ensure monies are properly receipted and establish procedures to ensure all monies received are transmitted for deposit timely and intact. In addition, the Board of Education should ensure monies are reconciled to the composition of deposits and a supervisory or



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independent review of accounting records is performed and documented.

- 4.2 Maintain perpetual inventory records and ensure regular inventories are performed at all school stores, and inventory balances are reconciled to purchases and sales.

Auditee's Response

- 4.1 *The district is in the process of establishing an SOP for cash collection, including but not limited to, prenumbered receipt slips for all monies collected and transmitted, timely depositing procedures, independent reviews and reconciliations of monies collected, and properly endorsed checks. The district will work vigorously to provide yearly training to all staff with cash handling responsibilities.*
- 4.2 *The district is currently researching Point of Sales systems to use for all school stores in the district. The district understands the need to keep accurate inventory and sales records along with balancing those sales with the monies deposited. By implementing a Point of Sales system in the school store the district also recognizes the learning opportunities for the students working.*

5. Waynesville High School

Significant improvements are needed in the high school's cash handling internal controls and procedures. The high school receives monies for student activities, such as graduation, prom, and the senior trip; student fees, such as parking fees, school property damage/replacement fees, and identification badge fees; club fundraisers; and yearbooks. Monies are collected at various locations at the high school, including the main office and the library. Monies are also collected by the Activities Director and various activity sponsors. Monies collected by library personnel, activity sponsors, and by two of the secretaries in the main office are transmitted to the head secretary for deposit. The Activities Director prepares the deposit for monies he collects and transmits the monies and the prepared deposit slip to the main office. The head secretary also collects monies, and these monies are included in deposits with other transmitted monies. The high school developed receipting and depositing procedures for staff to follow.

5.1 Segregation of duties and supervisory review

The high school has not adequately segregated the duties of receiving, recording, and depositing or transmitting monies, and documented supervisory or independent reviews of the accounting records are not performed. The head secretary is primarily responsible for accounting duties, including recording transactions and preparing deposits for monies collected in the main office or transmitted by the library or activity sponsors and there is no independent review of this process.



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5.2 Receipting and depositing

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, periodic documented supervisory or independent reviews of accounting records should be performed.

Prenumbered receipt slips are not always issued, activity sponsors do not always submit supporting documentation with monies transmitted, receipt slips do not always indicate the method of payment, checks are not always restrictively endorsed immediately upon receipt, and receipts are not always transmitted or deposited timely and intact.

- Main office personnel do not issue receipt slips for various student activity or other student fees collected in the main office and library personnel do not issue receipt slips for library fees collected. The Activities Director issues receipt slips for the various student activity fees he collects and the head secretary issues receipt slips for monies transmitted to her for deposit; however, the receipt slips are not prenumbered. In addition, activity sponsors do not always submit supporting documentation to the main office with the monies they collect or the main office secretary does not review the supporting documentation submitted to ensure all monies received were transmitted for deposit. As a result, receipts cannot be reconciled to transmittals/deposits.
- Receipt slips issued do not indicate the method of payment (cash, check, or money order) so the composition of receipts cannot be reconciled to the composition of deposits.
- The Activities Director does not restrictively endorse checks immediately upon receipt. He endorses checks when preparing the deposit.
- Receipts are not always transmitted or deposited timely or intact. A cash count performed on March 28, 2016, determined the Activities Director had \$490 for cap and gown rentals on hand; some of which was receipted as early as March 22, 2016. However, a cash count performed on March 29, 2016, in the main office determined only \$455 of the \$490 was transmitted for deposit. The Activities Director retained \$35 to establish a change fund. The high school's written procedures state all monies collected by student activity sponsors are to be turned over to the school secretary for deposit within 24 hours of receipt.

To ensure all monies received are accounted for properly, official prenumbered receipt slips should be issued in numerical order for all monies received, and the method of payment should be recorded on receipt slips and



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reconciled to the composition of receipts recorded on the deposits or transmittals. The failure to record receipts and transmit and deposit monies intact and timely increases the risk of loss, theft, or misuse of funds.

5.3 Petty cash

The high school does not follow the district's petty cash procedures. Petty cash at the high school is maintained in the main office and the library. Petty cash funds are not handled on an imprest basis or replenished as required by district procedures, and amounts on hand sometimes exceed the allowed maximum. Petty cash on hand totaled \$72 on March 28, 2016, at the high school's library and \$395 on March 29, 2016, at the high school's main office.

District procedures state petty cash funds should not exceed \$300, and paid receipts and cash on hand should total the authorized fund amount. District procedures also require schools to submit a request to replenish the petty cash fund to the district's administrative office accompanied with a summary sheet with all disbursements properly accounted for to replenish funds. Petty cash funds should only be reimbursed through district disbursement and not from daily receipts. Establishing petty cash funds on an imprest basis and ensuring the funds are used only for intended purposes reduces the risk of loss, theft, and misuse. In addition, keeping daily receipts separate from petty cash funds and replenishing petty cash through district reimbursement rather than using daily receipts, helps ensure daily receipts are tracked and deposited intact.

Recommendations

The Board of Education:

- 5.1 Adequately segregate accounting duties or ensure documented supervisory or independent reviews of accounting records are performed.
- 5.2 Ensure monies are properly receipted, transmitted and deposited timely and intact, receipt slips indicate the method of payment, and receipts are reconciled to the composition of deposits. Also, the Board of Education should ensure supporting documentation is submitted with all transmittals of monies and reconciled to the transmittal and checks are restrictively endorsed upon receipt.
- 5.3 Ensure handling of petty cash funds adheres to district procedures.

Auditee's Response

- 5.1 *The district is aware of a need for consistent and efficient systems to segregate accounting duties and ensure the adequate documented supervisory review of those records. The district is currently reviewing procedures to provide the needed safeguards.*



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- 5.2 *The district is in the process of establishing an SOP for cash collection, including but not limited to, prenumbered receipt slips for all monies collected and transmitted, timely depositing procedures, independent reviews and reconciliations of monies collected, and properly endorsed checks. The district will work vigorously to provide yearly training to all staff with cash handling responsibilities.*
- 5.3 *The district agrees all locations should adhere to the district policies and procedures for petty cash. The district plans to implement regular training and balancing reviews to ensure all locations are complying.*

6. Waynesville Middle School and the Sixth Grade Center

Significant improvements are needed in the cash handling internal controls and procedures at the Waynesville Middle School and Sixth Grade Center. The middle school and the Sixth Grade Center receive monies for student activities, such as field trips and book fairs; student fees, such as school property damage/replacement fees and identification badge fees; fundraisers; and yearbooks. Monies are collected at various locations at the middle school and Sixth Grade Center, including the main office, the library, and by specific activity sponsors. Monies collected in the library and by activity sponsors are transmitted to the main office secretary for deposit. The main office secretary also collects monies, and these monies are included in deposits with other transmitted monies.

6.1 Segregation of duties and supervisory review

The middle school and Sixth Grade Center have not adequately segregated the duties of receiving, recording, and depositing or transmitting monies, and documented supervisory or independent reviews of the accounting records are not performed. The main office secretary at each school is primarily responsible for accounting duties, including recording transactions and preparing deposits and there is no independent review of this process.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, periodic documented supervisory or independent reviews of accounting records should be performed.

6.2 Receipting and depositing

Prenumbered receipt slips are not always issued, activity sponsors do not always submit supporting documentation with monies transmitted, receipt slips do not always indicate the method of payment, checks are not always restrictively endorsed immediately upon receipt, and receipts are not always transmitted or deposited timely and intact at the middle school or Sixth Grade Center.



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- School personnel at both schools do not issue receipt slips for various student activity or student fees collected in the main office. Each school's secretary issues receipt slips only for monies transmitted to the main office for deposit; however, these receipt slips are not prenumbered. In addition, activity sponsors do not always submit supporting documentation to the main office with the monies they collect to help ensure all monies received were transmitted for deposit. As a result, receipts cannot be reconciled to transmittals/deposits.
- Receipt slips issued by library personnel at each school and for transmittals do not indicate the method of payment (cash, check, or money order) so the composition of receipts cannot be reconciled to the composition of deposits.
- Checks are not restrictively endorsed immediately upon receipt at either school. The secretaries endorse checks when the deposit is prepared.
- Receipts are not always transmitted or deposited timely and intact at either school. During our review of the petty cash log at the middle school, we noted receipts associated with the September 2015 book fair totaling \$573 were not transmitted for deposit until March 2016. In addition, the book fair monies deposited in March 2016 were not deposited intact. Also, the Sixth Grade Center secretary indicated she will occasionally retain receipted monies to make change.

To ensure all monies received are accounted for, official prenumbered receipt slips should be issued in numerical order for all monies received, and the method of payment should be recorded on receipt slips and reconciled to the composition of receipts recorded on the deposits or transmittals. The failure to record receipts and transmit and deposit monies intact and timely increases the risk of loss, theft, or misuse of funds.

6.3 Petty cash

The middle school and Sixth Grade Center do not follow the district's petty cash procedures.

Constant amount

Petty cash at the middle school and Sixth Grade Center is not maintained on an imprest basis or replenished as required by district procedure. Petty cash at the middle school and Sixth Grade Center is maintained in the main office and the library. The Sixth Grade Center school store also maintains a petty cash fund. Daily receipts are used to replenish the funds and comingled with petty cash monies. Petty cash on hand totaled \$210 on March 29, 2016, at the middle school's main office and \$258 on March 29, 2016, at the middle school's library. Petty cash on hand at the Sixth Grade Center's main office, library, and school store totaled \$220, \$256, and \$275 on March 30, 2016, respectively.



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District procedures state petty cash funds should not exceed \$300, and paid receipts and cash on hand should total the authorized fund amount. District procedures also require schools to submit a request to replenish the petty cash fund to the district's administrative office accompanied with a summary sheet with all disbursements properly accounted for to replenish funds. Petty cash funds should only be reimbursed through district disbursement and not from daily receipts. Establishing petty cash funds on an imprest basis and ensuring the funds are used only for intended purposes reduces the risk of loss, theft, and misuse. In addition, keeping daily receipts separate from petty cash funds and replenishing petty cash through district reimbursement rather than using daily receipts, helps ensure daily receipts are tracked and deposited intact.

Disbursements

Some Sixth Grade Center petty cash disbursements were not allowable and gift cards purchased with petty cash are not logged and tracked. During our review of petty cash disbursements at the Sixth Grade Center, we noted petty cash was used for several purchases in excess of \$50. We also noted gift card purchases of \$1,327 at the Sixth Grade Center for student and staff rewards and there was no process to track and ensure proper distribution of the cards.

District procedures states unacceptable purchases from petty cash include, but are not limited to, purchases which exceed \$50 (regardless of whether the purchase is made in one or several installments), purchases for furniture or equipment (i.e., cameras, televisions, computer equipment, etc.), reimbursing employees, and cashing checks.

Recommendations

The Board of Education:

- 6.1 Adequately segregate accounting duties or ensure documented supervisory or independent reviews of accounting records are performed.
- 6.2 Ensure monies are properly receipted, deposited timely and intact, receipt slips indicate the method of payment, and receipts are reconciled to the composition of deposits. Also, the Board of Education should ensure supporting documentation is submitted with all transmittals of monies and reconciled to the transmittal, and checks are restrictively endorsed upon receipt.
- 6.3 Ensure handling of petty cash funds adheres to district procedures and petty cash is used for allowable purposes. Also, policies and procedures for purchasing and tracking gift cards should be established.



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Auditee's Response

- 6.1 *The district is aware of a need for consistent and efficient systems to segregate accounting duties and ensure the adequate documented supervisory review of those records. The district is currently reviewing procedures to provide the needed safeguards.*
- 6.2 *The district is in the process of establishing an SOP for cash collection, including but not limited to, prenumbered receipt slips for all monies collected and transmitted, timely depositing procedures, independent reviews and reconciliations of monies collected and properly endorsed checks. The district will work vigorously to provide yearly training to all staff with cash handling responsibilities.*
- 6.3 *The district agrees all locations should adhere to the district policies and procedures for petty cash. The district plans to implement regular training and balancing reviews to ensure all locations are complying. The district also plans to eliminate the purchase and/or use of gift cards throughout the district.*

7. Elementary Schools

Significant improvements are needed in the cash handling internal controls and procedures at the Waynesville school district elementary schools. There are five elementary schools within the district: Wood Elementary, Thayer Elementary, East Elementary, Partridge Elementary, and Freedom Elementary. The elementary schools receive monies for student activities, such as field trips and book fairs; student fees, such as school property damage/replacement fees; fundraisers; and yearbooks. Monies are collected at various locations at each elementary school, including the main office, the library, and by specific activity sponsors. Monies collected in each elementary school's library and by activity sponsors are transmitted to the elementary school's main office secretary for deposit. Each elementary school's main office secretary also collects monies, and these monies are included in deposits with other transmitted monies.

7.1 Segregation of duties and supervisory review

The elementary schools have not adequately segregated the duties of receiving, recording, and depositing or transmitting monies, and documented supervisory or independent reviews of the accounting records are not performed. The main office secretary at each school is primarily responsible for accounting duties, including recording transactions and preparing deposits and there is no independent review of this process.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, periodic documented supervisory or independent reviews of accounting records should be performed.



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7.2 Receipting and depositing

Prenumbered receipt slips are not always issued, activity sponsors do not always submit supporting documentation with monies transmitted, checks are not restrictively endorsed immediately upon receipt, and receipts are not always transmitted or deposited timely and intact.

- School personnel, including library personnel, at Wood and Thayer Elementary do not issue prenumbered receipt slips for various student activity or other student fees collected.
- School personnel at East, Partridge, and Freedom Elementary Schools do not issue prenumbered receipt slips for various student activity or other student fees collected in the main office. Library personnel at these schools issue receipt slips for monies collected; however, the receipt slips are not prenumbered.
- Elementary school activity sponsors do not always submit supporting documentation with monies they transmit to help ensure all monies received were transmitted for deposit. In addition, the main office secretary at Wood Elementary indicated when supporting documentation is submitted by an activity sponsor, the documentation is not always retained. As a result, receipts cannot be reconciled to transmittals/deposits.
- Elementary school personnel do not restrictively endorse checks immediately upon receipt. Each school's secretary endorses checks when the deposit is prepared.
- Receipts at Wood, Partridge, and Freedom Elementary Schools are not always deposited intact. Wood Elementary library personnel indicated they will occasionally issue a cash refund for lost book fees from monies on hand that have not been transmitted for deposit. The secretary at Partridge Elementary indicated she will hold monies from a school fundraiser to use as a change fund throughout the school year. The secretary at Freedom Elementary indicated she will occasionally issue a cash refund from monies on hand that have not been transmitted for deposit.
- Receipts at Thayer and East Elementary Schools are not always transmitted or deposited timely. During a cash count performed at Thayer Elementary on April 11, 2016, we noted \$639 in receipts from an April 1, 2016, school carnival and art show remained undeposited. These monies were deposited on April 12, 2016. An April 8, 2016, cash count at East Elementary determined \$3,581 remained on hand from the school's Art to Remember fundraiser, which began on March 21, 2016. These monies were subsequently deposited on April 20, 2016. In addition, East Elementary library personnel exchange check receipts for



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an equivalent amount of cash from the main office to replenish the petty cash fund.

To ensure all monies received are accounted for, official prenumbered receipt slips should be issued in numerical order for all monies received, and the method of payment should be recorded on receipt slips and reconciled to the composition of receipts recorded on the deposits or transmittals. The failure to record receipts and transmit and deposit monies intact and timely increases the risk of loss, theft, or misuse of funds.

7.3 Petty cash

The elementary schools do not follow the district's petty cash procedures.

Constant amount

Petty cash at the elementary schools are not maintained on an imprest basis, district established procedures for replenishing petty cash are not followed, and amounts on hand sometimes exceed the allowed maximum. Petty cash at the elementary schools is maintained in the main office and the library. Daily receipts are used to replenish the funds and comingled with petty cash monies. Petty cash on hand at the time of April 2016 cash counts at the various elementary schools ranged from \$60 at Wood Elementary to \$417 at Partridge Elementary. None of the petty cash funds were maintained at a constant amount and the funds at Thayer, East, and Partridge Elementary Schools exceeded the maximum allowed balance.

District procedures state petty cash funds should not exceed \$300, and paid receipts and cash on hand should total the authorized fund amount. District procedures also require schools to submit a request to replenish the petty cash fund to the district's administrative office accompanied with a summary sheet with all disbursements properly accounted for to replenish funds. Petty cash funds should only be reimbursed through district disbursement and not from daily receipts. Establishing petty cash funds on an imprest basis and ensuring the funds are used only for intended purposes reduces the risk of loss, theft, and misuse. In addition, keeping daily receipts separate from petty cash funds and replenishing petty cash through district reimbursement rather than using daily receipts, helps ensure daily receipts are tracked and deposited intact.

Disbursements

Some disbursements made from petty cash at Wood and Thayer Elementary Schools were not allowable and gift cards purchased with petty cash are not logged and tracked. We noted petty cash was used for several purchases in excess of \$50, for reimbursing employees, and for cashing checks. We also noted gift card purchases of \$395 at Wood Elementary and \$150 at Thayer Elementary for student and staff rewards and there was no process at either school to track and ensure proper distribution of the cards.

District procedures state unacceptable purchases from petty cash include, but are not limited to, purchases which exceed \$50 (regardless of whether



Waynesville R-VI School District
Cash Handling Internal Controls
Management Advisory Report - State Auditor's Findings

the purchase is made in one or several installments), purchases for furniture or equipment (i.e., cameras, televisions, computer equipment, etc.), reimbursing employees, and cashing checks.

Recommendations

The Board of Education:

- 7.1 Adequately segregate accounting duties or ensure documented supervisory or independent reviews of accounting records are performed.
- 7.2 Ensure monies are properly receipted and deposited timely and intact. Also, the Board of Education should ensure supporting documentation is submitted with all transmittals of monies and reconciled to the transmittal, and checks are restrictively endorsed upon receipt.
- 7.3 Ensure handling of petty cash funds adheres to district procedures and petty cash is used for allowable purposes. Also, policies and procedures for purchasing and tracking gift cards should be established.

Auditee's Response

- 7.1 *The district is aware of a need for consistent and efficient systems to segregate accounting duties and ensure the adequate documented supervisory review of those records. The district is currently reviewing procedures to provide the needed safeguards.*
- 7.2 *The district is in the process of establishing an SOP for cash collection, including but not limited to, prenumbered receipt slips for all monies collected and transmitted, timely depositing procedures, independent reviews and reconciliations of monies collected, and properly endorsed checks. The district will work vigorously to provide yearly training to all staff with cash handling responsibilities.*
- 7.3 *The district agrees all locations should adhere to the district policies and procedures for petty cash. The district plans to implement regular training and balancing reviews to ensure all locations are complying. The district also plans to eliminate the purchase and/or use of gift cards throughout the district.*

8. Williams Early Childhood Center

Significant improvements are needed in the cash handling internal controls and procedures at the Williams Early Childhood Center. The Williams Early Childhood Center is the pre-kindergarten portion of an elementary school located on the Fort Leonard Wood military base. The center primarily receives monies for fundraisers and yearbooks. Monies are collected at various locations at the center, including the main office, the library, and by



Waynesville R-VI School District
Cash Handling Internal Controls
Management Advisory Report - State Auditor's Findings

teachers. Monies collected in the library and by teachers are transmitted to the main office secretary for deposit. The main office secretary also collects monies, and these monies are included in the deposits with other transmitted monies.

8.1 Segregation of duties and supervisory review

The Williams Early Childhood Center has not adequately segregated the duties of receiving, recording, and depositing or transmitting monies, and documented supervisory or independent reviews of the accounting records are not performed. The main office secretary is primarily responsible for accounting duties, including recording transactions and preparing deposits.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, periodic documented supervisory or independent reviews of accounting records should be performed.

8.2 Receipting and depositing

Prenumbered receipt slips are not issued and checks are not always restrictively endorsed immediately upon receipt.

- Prenumbered receipt slips are not issued for monies collected by teachers or by the main office secretary for monies transmitted to the office. As a result, receipts cannot be reconciled to transmittals/deposits.
- Checks are not restrictively endorsed immediately upon receipt. The secretary endorses checks when the deposit is prepared.

To ensure all monies received are accounted for, official prenumbered receipt slips should be issued in numerical order for all monies received, and the method of payment should be recorded on receipt slips and reconciled to the composition of receipts recorded on the deposits or transmittals. The failure to record receipts and transmit and deposit monies intact and timely increases the risk of loss, theft, or misuse of funds.

8.3 Petty cash

The Williams Early Childhood Center does not follow the district's petty cash procedures. Petty cash at the center is maintained in the main office. Petty cash funds are not handled on an imprest basis or reimbursed as required by district procedure. Daily receipts are used to replenish the fund and comingled with petty cash monies. Petty cash on hand totaled \$236 on April 11, 2016.

District procedures state petty cash funds should not exceed \$300, and paid receipts and cash on hand should total the authorized fund amount. District procedures also require schools to submit a request to replenish the petty cash fund to the district's administrative office accompanied with a summary sheet with all disbursements properly accounted for to replenish



Waynesville R-VI School District
Cash Handling Internal Controls
Management Advisory Report - State Auditor's Findings

funds. Petty cash funds should only be reimbursed through district disbursement and not from daily receipts. Establishing petty cash funds on an imprest basis and ensuring the funds are used only for intended purposes reduces the risk of loss, theft, and misuse. In addition, keeping daily receipts separate from petty cash funds and replenishing petty cash through district reimbursement rather than using daily receipts, helps ensure daily receipts are tracked and deposited intact.

Recommendations

The Board of Education:

- 8.1 Adequately segregate accounting duties or ensure documented supervisory or independent reviews of accounting records are performed.
- 8.2 Ensure monies are properly receipted, and receipts are reconciled to the composition of deposits. Also, the Board of Education should ensure checks are restrictively endorsed upon receipt.
- 8.3 Ensure handling of petty cash funds adheres to district procedures.

Auditee's Response

- 8.1 *The district is aware of a need for consistent and efficient systems to segregate accounting duties and ensure the adequate documented supervisory review of those records. The district is currently reviewing procedures to provide the needed safeguards.*
- 8.2 *The district is in the process of establishing an SOP for cash collection, including but not limited to, prenumbered receipt slips for all monies collected and transmitted, timely depositing procedures, independent reviews and reconciliations of monies collected, and properly endorsed checks. The district will work vigorously to provide yearly training to all staff with cash handling responsibilities.*
- 8.3 *The district agrees all locations should adhere to the district policies and procedures for petty cash. The district plans to implement regular training and balancing reviews to ensure all locations are complying.*

Waynesville R-VI School District

Cash Handling Internal Controls

Organization and Statistical Information

The Waynesville R-VI School District is located in Pulaski County, Missouri.

The district operates a senior high school (grades 9-12), a middle school (grades 7-8), a Sixth Grade Center, 5 elementary schools (grades K-5 in various configurations), an early childhood center, and a career center. Enrollment was 5,795 for the 2015-2016 school year. The district employed 775 full-time and 121 part-time employees, at June 30, 2016.

The Waynesville R-VI School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

Board of Education

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at June 30, 2016, were:

Dr. LeRoy Fulmer, President
Butch O'Riley, Vice-President
Andy Anderson, Secretary
Paul Schultz II, Treasurer
Mike Keeling, Member
Lisa Schwandt, Member
Charles Quinn, Member

Superintendent

The district's superintendent at June 30, 2016, was Dr. Brian Henry and his annual compensation was \$147,900. The superintendent's compensation is established by the Board of Education.

Waynesville R-VI School District
Cash Handling Internal Controls
Supporting Documentation for Undeposited Career Center Cash Receipts

Undeposited Cash Receipts

Deposit Date	Recorded Cash Receipts	Recorded Check Receipts	Unrecorded Check Receipts	Total Receipts	Cash Deposited	Checks Deposited	Total Deposited	Cash Long/(Short)	Checks Long/(Short)	Total Difference	
9/4/2015	\$ 1,921.37	639.26	20.00	2,580.63	1,901.37	659.26	2,560.63	(20.00)	0.00	(20.00)	(1)
10/22/2015	2,650.10	966.00	10.00	3,626.10	2,640.10	976.00	3,616.10	(10.00)	0.00	(10.00)	(2)
10/29/2015	1,518.00	2,697.00	150.10	4,365.10	1,368.00	2,847.10	4,215.10	(150.00)	0.00	(150.00)	(3)
12/8/2015	1,558.52	1,899.75	30.00	3,488.27	1,523.52	1,934.75	3,458.27	(35.00)	5.00	(30.00)	(4)
12/17/2015	2,758.05	2,315.00	30.00	5,103.05	2,728.05	2,345.00	5,073.05	(30.00)	0.00	(30.00)	(5)
2/2/2016	453.00	8,612.92	10.00	9,075.92	443.00	8,622.92	9,065.92	(10.00)	0.00	(10.00)	(6)
4/20/2016	1,160.50	1,004.50	40.00	2,205.00	1,120.50	1,044.50	2,165.00	(40.00)	0.00	(40.00)	(7)
5/4/2016	1,550.00	1,412.00	75.00	3,037.00	1,475.00	1,487.00	2,962.00	(75.00)	0.00	(75.00)	(8)
\$	13,569.54	19,546.43	365.10	33,481.07	13,199.54	19,916.53	33,116.07	(370.00)	5.00	(365.00)	

Explanations Provided:

- (1) A \$20 personal check was received, but not recorded. The check was deposited with school store receipts and \$20 was removed and not deposited.
- (2) The Financial Secretary indicated a personal check for \$10 was received for "Boss' Day Donation." This check was deposited with school store receipts and \$10 cash was removed and not deposited. An explanation regarding not depositing the \$10 was not provided.
- (3) The Financial Secretary indicated one check for \$150 was received for the annual scholarship golf tournament and was deposited with school store receipts. An equivalent amount of cash was removed from the school store receipts and provided to the golf tournament scholarship committee to have cash on hand during the tournament. We were unable to determine if the \$150 was redeposited.
- (4) The Financial Secretary indicated three personal checks, each in the amount of \$10, were received from Career Center employees for a "Jeans Day" donation for the Shop With a Cop program. These checks were deposited with school store receipts and \$30 cash was removed and not deposited. The Financial Secretary indicated she provided \$30 cash to the sponsor who collected the donations.
- (5) A \$50 personal check from the Financial Secretary was included in the deposit. The Financial Secretary indicated \$20 was for social dues and the remaining \$30 applied to school store receipts. However, school store records indicate all store receipts transmitted were cash and the amount of cash deposited was \$30 less than transmitted by the school store.
- (6) A \$10 personal check from a career center employee was included in this deposit. This check was written for "cash" and appears to have been cashed with other departmental cash receipts.
- (7) The Financial Secretary indicated two checks, each in the amount of \$20, were received by the Health Science Department for exam fees, but cash was required for these exam fees. The Financial Secretary indicated she removed \$40 cash from the school store cash receipts and provided this to the Health Sciences Department.
- (8) Five checks, each in the amount of \$15, that appeared to be for the "March of Dimes," were received but not recorded. These checks were included with Culinary Arts receipts. However, Culinary Arts records indicate all monies transmitted were cash and the amount of cash deposited was \$75 less than transmitted by Culinary Arts.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Chariton County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Chariton County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the year ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Beard-Boehmer & Associates, PC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

September 2016
Report No. 2016-074

AUDITED FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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BEARD-BOEHMER & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI

CHARITON COUNTY, MISSOURI
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August 12, 2016

INDEPENDENT AUDITORS' REPORT

To the County Commission
and Officeholders of
Chariton County, Missouri

Report on the Financial Statements

We have audited the accompanying special purpose regulatory modified cash basis financial statements of Chariton County, Missouri, which collectively comprise the statement of receipts, disbursements, and changes in cash and investments—all governmental funds as of December 31, 2015, and the related statements of receipts, disbursements, and changes in cash and investments—budget and actual for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by Missouri Law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CHARITON COUNTY, MISSOURI INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the special purpose financial statements are prepared by Chariton County, Missouri, using accounting practices prescribed or permitted by Missouri Law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Chariton County, Missouri, as of December 31, 2015, and the changes in its financial position.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investment balances of each fund of Chariton County, Missouri as of December 31, 2015, their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of the financial reporting provisions of Missouri Law as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2016, on our consideration of Chariton County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chariton County, Missouri's internal control over financial reporting and compliance.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the State of Missouri and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Fund	Cash and Investments January 1, 2015	Receipts	Disbursements	Cash and Investments December 31, 2015
General Revenue	\$ 3,874,978	1,959,386	1,452,818	\$ 4,381,546
Special Road and Bridge	245,220	861,841	740,892	366,169
Assessment	315,009	288,147	224,473	378,683
Law Enforcement Sales Tax	-	590,179	590,179	-
Election Services	21,781	3,990	1,538	24,233
Tax Maintenance	21,108	8,751	13,996	15,863
Deputy Sheriff Supplementation	2,329	33,543	33,444	2,428
Law Enforcement Training	1,328	1,488	2,591	225
Prosecuting Attorney Training	199	247	250	196
Prosecuting Attorney Tax Fee	173	-	-	173
Law Enforcement Restitution	16,276	895	8,127	9,044
Victims of Domestic Violence	169	240	250	159
Administrative Handling Cost	11,790	871	2,580	10,081
Recorder	6,707	12,668	4,492	14,883
Sheriff's	4,946	9,711	11,434	3,223
Local Emergency Planning Committee (LEPC)	4,094	6,903	4,456	6,541
Grant	9,888	171	10,058	1
Drainage District #3	8,579	709	-	9,288
Drainage District #4	104,829	18,882	24,026	99,685
Drainage District #6	3,455	334	-	3,789
Drainage District #7	1,989	816	-	2,805
Drainage District #8	89	2	-	91
Drainage District #17	131	2	-	133
Drainage District #18	18,861	889	-	19,750
Drainage District #19	8,274	92	1,821	6,545
Drainage District #20	47,220	2,885	12,550	37,555
Senate Bill 40 Board	362,917	202,041	126,412	438,546
Totals	\$ <u>5,092,339</u>	<u>4,005,683</u>	<u>3,266,387</u>	\$ <u>5,831,635</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

General Revenue Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Property taxes	\$ 635,500	730,239	94,739
Sales and use taxes	450,000	492,646	42,646
Intergovernmental	111,500	108,075	(3,425)
Charges for services	426,800	495,263	68,463
Interest	53,000	60,475	7,475
Other	84,120	72,688	(11,432)
Transfers in	100	-	(100)
Total Receipts	\$ 1,761,020	1,959,386	198,366
DISBURSEMENTS			
General County Government-			
County Commission	\$ 92,920	88,574	(4,346)
County Clerk	131,762	118,975	(12,787)
Elections	129,030	118,328	(10,702)
Buildings and grounds	234,298	147,865	(86,433)
Employee fringe benefits	168,000	132,797	(35,203)
County Collector-Treasurer	91,653	84,815	(6,838)
Circuit Clerk and Ex Officio Recorder of Deeds	86,477	74,483	(11,994)
Court administration	33,880	26,991	(6,889)
Public Administrator	23,550	20,723	(2,827)
Other expenditures	191,250	177,012	(14,238)
Public Safety-			
Sheriff	158,950	91,841	(67,109)
Jail	148,500	138,697	(9,803)
Prosecuting Attorney	87,317	78,661	(8,656)
Juvenile Officer	23,490	14,725	(8,765)
County Coroner	30,330	23,185	(7,145)
Health and welfare	1,000	-	(1,000)
Transfers out	360,115	115,146	(244,969)
Emergency fund	53,000	-	(53,000)
Total Disbursements	\$ 2,045,522	1,452,818	(592,704)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (284,502)	506,568	791,070
CASH AND INVESTMENTS, JANUARY 1	3,874,978	3,874,978	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 3,590,476	4,381,546	791,070

SEE NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Special Road and Bridge Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Intergovernmental	\$ 1,246,590	851,218	(395,372)
Interest	6,500	5,756	(744)
Other	19,000	4,867	(14,133)
Transfers in	131,250	-	(131,250)
Total Receipts	\$ 1,403,340	861,841	(541,499)
DISBURSEMENTS			
Salaries	\$ 123,614	95,916	(27,698)
Employee fringe benefits	49,250	39,376	(9,874)
Materials and supplies	10,550	4,616	(5,934)
Insurance	11,400	8,321	(3,079)
Equipment repairs	27,500	3,430	(24,070)
Equipment purchases	41,000	6,248	(34,752)
Road and bridge construction	664,200	555,229	(108,971)
Other road and bridge construction	721,000	27,756	(693,244)
Total Disbursements	\$ 1,648,514	740,892	(907,622)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (245,174)	120,949	366,123
CASH AND INVESTMENTS, JANUARY 1	245,220	245,220	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 46	366,169	366,123

Assessment Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Intergovernmental	\$ 261,150	280,215	19,065
Interest	5,000	5,666	666
Other	1,550	2,266	716
Total Receipts	\$ 267,700	288,147	20,447
DISBURSEMENTS			
Salaries	\$ 131,856	121,855	(10,001)
Employee fringe benefits	44,105	43,793	(312)
Office supplies	5,000	1,815	(3,185)
Equipment	20,000	7,347	(12,653)
Mileage and training	7,500	2,932	(4,568)
GIS and computer support	47,500	39,608	(7,892)
Other Assessment	18,850	7,123	(11,727)
Total Disbursements	\$ 274,811	224,473	(50,338)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (7,111)	63,674	70,785
CASH AND INVESTMENTS, JANUARY 1	315,009	315,009	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 307,898	378,683	70,785

SEE NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Law Enforcement Sales Tax Fund			
	Final		Actual
	Budget	Actual	Over (Under)
			Budget
RECEIPTS			
Sales taxes	\$ 300,000	331,948	31,948
Intergovernmental	75,000	141,520	66,520
Interest	400	213	(187)
Other	100	651	551
Transfers in	229,565	115,847	(113,718)
Total Receipts	\$ 605,065	590,179	(14,886)
DISBURSEMENTS			
Salary - Sheriff and deputies	\$ 269,540	265,031	(4,509)
Salary - jailers and cooks	186,125	188,994	2,869
Employee fringe benefits	149,400	136,154	(13,246)
Total Disbursements	\$ 605,065	590,179	(14,886)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	-	-
CASH AND INVESTMENTS, JANUARY 1	-	-	-
CASH AND INVESTMENTS, DECEMBER 31	\$ -	-	-

Election Services Fund			
	Final		Actual
	Budget	Actual	Over (Under)
			Budget
RECEIPTS			
Intergovernmental	\$ 3,700	3,686	(14)
Interest	250	304	54
Total Receipts	\$ 3,950	3,990	40
DISBURSEMENTS			
Internet	\$ 700	689	(11)
Equipment	2,000	-	(2,000)
Dues and registration	400	325	(75)
Training	1,000	524	(476)
Total Disbursements	\$ 4,100	1,538	(2,562)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (150)	2,452	2,602
CASH AND INVESTMENTS, JANUARY 1	21,781	21,781	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 21,631	24,233	2,602

SEE NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Tax Maintenance Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Charges for services	\$ 9,750	8,329	(1,421)
Interest	300	282	(18)
Other	145	140	(5)
Total Receipts	\$ 10,195	8,751	(1,444)
DISBURSEMENTS			
Office supplies	\$ 5,000	3,619	(1,381)
Internet	2,000	1,800	(200)
Microfilming	5,000	4,760	(240)
Equipment	3,000	2,163	(837)
Equipment repair	500	180	(320)
Dues and registration fees	1,000	675	(325)
Mileage, motel, and meals	1,500	659	(841)
Payment to collector	200	140	(60)
Total Disbursements	\$ 18,200	13,996	(4,204)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (8,005)	(5,245)	2,760
CASH AND INVESTMENTS, JANUARY 1	21,108	21,108	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 13,103	15,863	2,760

Deputy Sheriff Supplementation Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Intergovernmental	\$ 43,714	28,086	(15,628)
Charges for services	3,000	2,502	(498)
Interest	50	24	(26)
Transfers in	3,200	2,931	(269)
Total Receipts	\$ 49,964	33,543	(16,421)
DISBURSEMENTS			
Salaries	\$ 40,199	27,109	(13,090)
Benefits	5,165	3,233	(1,932)
Payment to state	3,000	2,401	(599)
Transfers out	1,000	701	(299)
Total Disbursements	\$ 49,364	33,444	(15,920)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 600	99	(501)
CASH AND INVESTMENTS, JANUARY 1	2,329	2,329	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,929	2,428	(501)

SEE NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Law Enforcement Training Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Charges for services	\$ 1,800	1,484	(316)
Interest	25	4	(21)
Total Receipts	\$ 1,825	1,488	(337)
DISBURSEMENTS			
Dues and registration fees	\$ 950	800	(150)
Mileage, motel, and meals	1,500	1,041	(459)
Continuing education	600	750	150
Total Disbursements	\$ 3,050	2,591	(459)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,225)	(1,103)	122
CASH AND INVESTMENTS, JANUARY 1	1,328	1,328	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 103	225	122

Prosecuting Attorney Training Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Charges for services	\$ 300	247	(53)
Total Receipts	\$ 300	247	(53)
DISBURSEMENTS			
Dues and registration fees	\$ 150	100	(50)
Mileage, motel, and meals	150	150	-
Total Disbursements	\$ 300	250	(50)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	(3)	(3)
CASH AND INVESTMENTS, JANUARY 1	199	199	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 199	196	(3)

Prosecuting Attorney Tax Fee Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Interest	\$ -	-	-
Total Receipts	\$ -	-	-
DISBURSEMENTS			
Materials and supplies	\$ -	-	-
Total Disbursements	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	-	-
CASH AND INVESTMENTS, JANUARY 1	173	173	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 173	173	-

SEE NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Law Enforcement Restitution Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Interest	\$ 100	167	67
Other	5,000	728	(4,272)
Total Receipts	\$ 5,100	895	(4,205)
DISBURSEMENTS			
Tracker	\$ 3,600	3,063	(537)
Equipment	12,000	3,995	(8,005)
Training	2,500	1,069	(1,431)
Trial expenses	1,000	-	(1,000)
Total Disbursements	\$ 19,100	8,127	(10,973)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (14,000)	(7,232)	6,768
CASH AND INVESTMENTS, JANUARY 1	16,276	16,276	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,276	9,044	6,768

Victims of Domestic Violence Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Charges for services	\$ 250	240	(10)
Interest	2	-	(2)
Total Receipts	\$ 252	240	(12)
DISBURSEMENTS			
Shelter	\$ 250	250	-
Total Disbursements	\$ 250	250	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2	(10)	(12)
CASH AND INVESTMENTS, JANUARY 1	169	169	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 171	159	(12)

Administrative Handling Cost Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Charges for services	\$ 2,140	730	(1,410)
Interest	200	141	(59)
Total Receipts	\$ 2,340	871	(1,469)
DISBURSEMENTS			
Dues and registration fees	\$ 1,000	474	(526)
Postage	400	358	(42)
Lawbooks	500	397	(103)
Computer support	2,000	1,251	(749)
Equipment purchase	500	-	(500)
Payment to state	300	100	(200)
Total Disbursements	\$ 4,700	2,580	(2,120)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,360)	(1,709)	651
CASH AND INVESTMENTS, JANUARY 1	11,790	11,790	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 9,430	10,081	651

SEE NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Recorder Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Charges for services	\$ 13,600	12,492	(1,108)
Interest	100	176	76
Total Receipts	\$ 13,700	12,668	(1,032)
DISBURSEMENTS			
Maintenance agreements	\$ 10,000	4,249	(5,751)
Office supplies	750	195	(555)
Equipment	250	-	(250)
Technology/equipment	4,000	48	(3,952)
Total Disbursements	\$ 15,000	4,492	(10,508)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,300)	8,176	9,476
CASH AND INVESTMENTS, JANUARY 1	6,707	6,707	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 5,407	14,883	9,476

Sheriff's Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Charges for services	\$ 6,000	4,850	(1,150)
Interest	100	41	(59)
Other	3,900	4,820	920
Total Receipts	\$ 10,000	9,711	(289)
DISBURSEMENTS			
Ammunition	\$ 750	474	(276)
Equipment	2,143	2,143	-
Dues and registration fees	2,000	1,965	(35)
Mileage, motel, and meals	1,200	1,196	(4)
Dare	2,726	2,725	(1)
Transfers out	3,200	2,931	(269)
Total Disbursements	\$ 12,019	11,434	(585)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,019)	(1,723)	296
CASH AND INVESTMENTS, JANUARY 1	4,946	4,946	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,927	3,223	296

SEE NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Local Emergency Planning Committee (LEPC) Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Intergovernmental	\$ 3,500	6,828	3,328
Interest	100	75	(25)
Total Receipts	\$ 3,600	6,903	3,303
DISBURSEMENTS			
Salary	\$ 1,800	1,800	-
Office supplies	100	171	71
Postage	25	-	(25)
Publications/hazardous updates	100	39	(61)
Equipment purchase	2,000	2,331	331
Training	500	115	(385)
Total Disbursements	\$ 4,525	4,456	(69)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (925)	2,447	3,372
CASH AND INVESTMENTS, JANUARY 1	4,094	4,094	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 3,169	6,541	3,372

Grant Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Intergovernmental	\$ 2,500	171	(2,329)
Total Receipts	\$ 2,500	171	(2,329)
DISBURSEMENTS			
Flood control lease program	\$ 12,388	10,058	(2,330)
Total Disbursements	\$ 12,388	10,058	(2,330)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (9,888)	(9,887)	1
CASH AND INVESTMENTS, JANUARY 1	9,888	9,888	-
CASH AND INVESTMENTS, DECEMBER 31	\$ -	1	1

Drainage District #3 Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Property taxes	\$ 585	588	3
Interest	100	121	21
Total Receipts	\$ 685	709	24
DISBURSEMENTS			
Material and supplies	\$ 50	-	(50)
Maintenance	4,000	-	(4,000)
Total Disbursements	\$ 4,050	-	(4,050)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,365)	709	4,074
CASH AND INVESTMENTS, JANUARY 1	8,579	8,579	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 5,214	9,288	4,074

SEE NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Drainage District #4 Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Property taxes	\$ 18,350	17,350	(1,000)
Interest	1,500	1,532	32
Total Receipts	\$ 19,850	18,882	(968)
DISBURSEMENTS			
Materials and supplies	\$ 200	-	(200)
Maintenance	70,000	24,026	(45,974)
Total Disbursements	\$ 70,200	24,026	(46,174)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (50,350)	(5,144)	45,206
CASH AND INVESTMENTS, JANUARY 1	104,829	104,829	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 54,479	99,685	45,206

Drainage District #6 Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Property taxes	\$ 185	286	101
Interest	50	48	(2)
Total Receipts	\$ 235	334	99
DISBURSEMENTS			
Materials and supplies	\$ 50	-	(50)
Maintenance	1,000	-	(1,000)
Total Disbursements	\$ 1,050	-	(1,050)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (815)	334	1,149
CASH AND INVESTMENTS, JANUARY 1	3,455	3,455	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,640	3,789	1,149

Drainage District #7 Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Property taxes	\$ 810	781	(29)
Interest	25	35	10
Total Receipts	\$ 835	816	(19)
DISBURSEMENTS			
Materials and supplies	\$ 50	-	(50)
Maintenance	2,000	-	(2,000)
Total Disbursements	\$ 2,050	-	(2,050)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,215)	816	2,031
CASH AND INVESTMENTS, JANUARY 1	1,989	1,989	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 774	2,805	2,031

SEE NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Drainage District #8 Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Interest	\$ 1	2	1
Total Receipts	\$ 1	2	1
DISBURSEMENTS			
Materials and supplies	\$ -	-	-
Total Disbursements	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1	2	1
CASH AND INVESTMENTS, JANUARY 1	89	89	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 90	91	1

Drainage District #17 Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Interest	\$ 2	2	-
Total Receipts	\$ 2	2	-
DISBURSEMENTS			
Materials and supplies	\$ -	-	-
Total Disbursements	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2	2	-
CASH AND INVESTMENTS, JANUARY 1	131	131	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 133	133	-

Drainage District #18 Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Property taxes	\$ 640	633	(7)
Interest	250	256	6
Total Receipts	\$ 890	889	(1)
DISBURSEMENTS			
Materials and supplies	\$ 50	-	(50)
Maintenance	5,000	-	(5,000)
Total Disbursements	\$ 5,050	-	(5,050)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,160)	889	5,049
CASH AND INVESTMENTS, JANUARY 1	18,861	18,861	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 14,701	19,750	5,049

SEE NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH AND INVESTMENTS - BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Drainage District #19 Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Interest	\$ 150	92	(58)
Total Receipts	\$ 150	92	(58)
DISBURSEMENTS			
Maintenance	\$ 5,000	1,821	(3,179)
Total Disbursements	\$ 5,000	1,821	(3,179)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,850)	(1,729)	3,121
CASH AND INVESTMENTS, JANUARY 1	8,274	8,274	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 3,424	6,545	3,121

Drainage District #20 Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Property taxes	\$ 2,450	2,374	(76)
Interest	700	511	(189)
Total Receipts	\$ 3,150	2,885	(265)
DISBURSEMENTS			
Materials and supplies	\$ 50	-	(50)
Maintenance	12,550	12,550	-
Total Disbursements	\$ 12,600	12,550	(50)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (9,450)	(9,665)	(215)
CASH AND INVESTMENTS, JANUARY 1	47,220	47,220	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 37,770	37,555	(215)

Senate Bill 40 Board Fund			
	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS			
Property taxes	\$ 203,278	200,388	(2,890)
Interest	2,500	1,653	(847)
Total Receipts	\$ 205,778	202,041	(3,737)
DISBURSEMENTS			
Contracted services	\$ 51,780	31,494	(20,286)
County workshop	118,500	94,893	(23,607)
Miscellaneous	20,575	25	(20,550)
Total Disbursements	\$ 190,855	126,412	(64,443)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 14,923	75,629	60,706
CASH AND INVESTMENTS, JANUARY 1	362,917	362,917	-
CASH AND INVESTMENTS, DECEMBER 31	\$ 377,840	438,546	60,706

SEE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

CHARITON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Chariton County, Missouri is governed by a County Commission with three members under a township form of government. There are 15 townships within Chariton County with each having its own tax levies. In addition to the three County Commissioners, there are eight elected Officers: Assessor, Circuit Clerk and Ex Officio Recorder of Deeds, County Clerk, Collector-Treasurer, Coroner, Prosecuting Attorney, Public Administrator, and Sheriff.

As discussed further in Note 1.C., these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the modified cash basis of accounting.

A. REPORTING ENTITY

The County's operations include property tax assessments and collections, state/county courts administration, recording of instruments, public safety, emergency planning, road and bridge construction and maintenance, health and welfare services, and election services. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, and the Senate Bill 40 Board.

The financial statements referred to above include the primary government of Chariton County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the County's legal entity. This will also include the Senate Bill 40 Board Fund, but not the Chariton County Health Center or the 911 Board since these entities are considered separate legal entities not under the control of the County and are not considered component units of the County.

B. BASIS OF PRESENTATION

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts, and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain county officials, particularly the Collector-Treasurer, Public Administrator, and Sheriff may collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are custodial in nature, and are not reported on the accompanying financial statements.

C. BASIS OF ACCOUNTING

The financial statements are prepared on the modified cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

CHARITON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

D. BUDGETS AND BUDGETARY ACCOUNTING

The County follows these procedures in establishing the budget information:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. During January, the budget officer (County Clerk) and the administrative officer of the Senate Bill 40 Board submit a proposed operating budget for the ensuing calendar year to the County Commission or to the Senate Bill 40 Board.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the modified cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires at the individual fund level budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. No funds had a deficit budgeted cash balance for 2015.
5. A public hearing is conducted to obtain public comment on the budget documents. Prior to approval by the County Commission and Senate Bill 40 Board, the budget documents are available for public inspection.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission and the Senate Bill 40 Board.
7. Subsequent to the budget hearings, the budgets (as amended and approved) are adopted by the County Commission and the Senate Bill 40 Board. The County Commission amended budgets for the Drainage District #20 Fund and the Sheriff's Fund.
8. The approved budgets for the County and Senate Bill 40 Board are to be submitted to the County budget officer (County Clerk) and filed with the State Auditor's Office by January 31.
9. Adoption of a formal budget is required by state statute. The County budgeted for all funds during the year ended December 31, 2015.
10. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets. No funds had expenditures in excess of the approved budgets for 2015.

E. SALES TAX AND USE TAX RATES

The County has the following sales tax and use tax rates:

General sales tax	1/2%	\$ 0.00500
Law enforcement sales tax	1/2%	0.00500
Emergency sales tax-911	7/8%	<u>0.00875</u>
Total sales tax rate		\$ <u>0.01875</u>
Use tax rate		\$ <u>0.01875</u>

The emergency 911 sales tax goes directly to the Emergency 911 Board and does not pass through the County.

CHARITON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

F. PROPERTY TAXES

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as on January 1. Taxes are levied in September and payable by December 31. Taxes paid after December 31 are delinquent and subject to penalties. The County bills and collects its own property taxes and also taxes for most other local governments in the County, including the townships and drainage districts.

The assessed valuation of the tangible property for the calendar year for purposes of local taxation was:

Real Estate	\$	64,658,160
Personal Property		37,568,270
Railroad and Utilities		113,804,211
Total Assessed Valuation	\$	<u>216,030,641</u>

The countywide levy per \$100 of the assessed valuation of tangible property for the calendar year for purposes of local taxation was:

General Revenue	\$	0.3150
Senate Bill 40 Board	\$	0.0900

Each township sets its own township levy and a special road and bridge levy.

G. CASH DEPOSITS AND INVESTMENTS

Cash deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less; however, nonnegotiable certificates of deposit with original maturity of greater than ninety days is considered as cash equivalents.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

CHARITON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

H. INTERFUND ACTIVITY

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. Transfers between funds of the primary government for the year ended December 31, 2015, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Revenue	\$ -	\$ 115,146
Law Enforcement Sales Tax	115,847	-
Deputy Sheriff Supplementation	2,931	701
Sheriff's	-	2,931
Total	\$ <u>118,778</u>	\$ <u>118,778</u>

I. PUBLISHED FINANCIAL STATEMENTS

Under Sections 50.800 and 50.810, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the County. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. For the year ended December 31, 2015, the published financial statements included all funds and the required information. The Senate Bill 40 Board also published its financial statements for the year ended December 31, 2015.

NOTE 2. CASH AND INVESTMENTS

Section 110.270 RSMo based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950 RSMo requires political subdivisions with existing authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchases of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has adopted such a policy.

The County has determined through experience that checking accounts, savings accounts, negotiable order withdrawal (NOW) accounts, money market accounts, and certificates of deposits are appropriate types of accounts or instruments for its needs. The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is included on the financial statements as "Cash and Investments" under each fund's caption.

The County had invested in a nonnegotiable certificate of deposit for the General Revenue Fund. This certificate of deposit matures August 17, 2016, earns interest at a rate of 1.28%, and had a balance of \$507,095 at December 31, 2015.

CHARITON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of the disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks and savings institutions.

Deposits

Missouri statutes require all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. All bank balances at the depository banks at December 31, 2015, were covered by federal depository insurance and additional collateral securities held at the County's safekeeping bank agent in the County's name or by its agent in the County's name.

The Senate Bill 40 Board's deposits and certificates of deposit at December 31, 2015, held at the respective depository banks were not exposed to custodial credit risk because they were entirely covered by federal depository insurance.

NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. Missouri Local Government Employees Retirement System (LAGERS)

1) Plan Description

Chariton County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by state statute, sections RSMo 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the express intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

2) Pension Benefits

Upon termination of employment, any member who is vested is entitled to either an unreduced benefit annuity, payable at age sixty (police and fire fighters, age fifty-five), or a reduced benefit annuity, payable at age fifty-five (police and fire fighters, age fifty). Any member with less than five years of creditable service will be refunded accumulated plan contributions. As of December 31, 2015, the County had 30 employees enrolled in LAGERS.

3) Funding Policy

The County's full-time employees are required to contribute 4% to the LAGERS pension plan. The County is required by state statute to contribute at an actuarially determined rate: the rate as of December 31, 2015, was 9.8% (general) and 5.2% (police) of annual covered payroll. The County Commission determines the contribution requirements of plan members.

CHARITON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS (CONTINUED)

4) Annual Pension Cost

For 2015, total payment to LAGERS was \$77,207.

B. County Employees' Retirement Fund

The County Employees' Retirement Fund (CERF) was established pursuant to SB 579, effective August 28, 1994, by the state of Missouri to provide a retirement benefit to eligible county employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties of not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under sections 56.800 to 56.840 RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under sections 57.949 to 57.997 RSMo, and certain personnel not defined as an employee per section 50.1000(8) RSMo. The general administration and the responsibility for the proper operation of the Fund and the investment of the Fund are vested in a board of directors of eleven persons.

2) Pension Benefits

CERF first paid benefits beginning January 1, 1997. At that time a member could not retire until age 62. Beginning January 1, 2000, employees could retire with full benefits at age 62 or reduced benefits at age 55. The monthly benefit for county employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). An eligible death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two, or a reduced benefit annuity at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the Fund but will be paid his or her accumulated contributions. As of December 31, 2015, the County had 36 employees enrolled in CERF.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling toll-free 1-877-632-2373.

3) Funding Policy

In accordance with state statutes, the Retirement Fund is partially funded through various fees collected and remitted to CERF. Depending on the hire date and LAGERS status, contribution rates can be 0%, 2%, 4%, or 6%. A county can choose to pay up to 4% for its employees. A contribution to CERF of 2% of annual salary is required for eligible employees hired before February 25, 2002, and a contribution of 6% of annual salary is required of employees hired after February 25, 2002, effective January 1, 2003, in order to participate in CERF. During 2015, the County collected and remitted to CERF \$53,726.

CHARITON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

C. PROSECUTING ATTORNEY RETIREMENT

In accordance with Section 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys' and Circuit Attorneys' Retirement System Fund. Once remitted, the state of Missouri is responsible for administration of this plan. The County contributed \$2,248 for the year ended December 31, 2015.

NOTE 4. POST-EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

NOTE 5. COMMITMENTS AND CONTINGENCIES

1) Compensated Absences

Regular full-time employees who have completed 12 consecutive calendar months of service are eligible to receive vacation time as follows: 1 to 2 years, 1 week; 2 to 10 years, 2 weeks; over 10 years, 3 weeks. Employees may accumulate and carry forward vacation leave as follows: 1-10 years of continuous service, 20 days; and, over 10 years of continuous service, 30 days. Upon termination of employment, an employee with more than one year of service will receive equivalent cash reimbursement for all unused accrued vacation leave.

Regular full-time employees earn one full day of sick leave for each complete calendar month of employment. Sick leave may accrue to a maximum of 30 days. Upon termination of employment, no payment will be made for unused days.

2) Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly such audits could result in the refund of grant monies to the grantor agencies. Management believes any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

3) Litigation

At December 31, 2015, the County is not involved in any litigation.

4) Long-term Debt

At December 31, 2015, the County does not have any long-term debt.

NOTE 6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters; and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance.

CHARITON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6. RISK MANAGEMENT (CONTINUED)

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

COMPLIANCE SECTION

August 12, 2016

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the County Commission
and Officeholders of
Chariton County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the county funds of Chariton County, Missouri, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Chariton County, Missouri's basic financial statements, and have issued our report thereon dated August 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chariton County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chariton County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Chariton County, Missouri's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**CHARITON COUNTY, MISSOURI
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chariton County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the State of Missouri and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

**CHARITON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015**

In accordance with *Government Auditing Standards*, this section reports the auditors' follow-up on action taken by Chariton County, Missouri, on the applicable finding in the prior audit report issued for the two years ended December 31, 2014.

Accounting for Transfers

Condition: The financial statements of the county as represented in the annual budget document do not present the proper amount of budgeted and actual transfers between the various county funds and, therefore, total transfers in did not agree with total transfers out for the years ended December 31, 2014, and 2013. Budgeted and actual amounts for transfers in each year are not properly reconciled to total budgeted and actual amounts transferred out.

Our review noted that small payments made from the Unclaimed Fees Fund to the General Revenue Fund each year, a payment to the Unclaimed Fees Fund for \$270 from the General Revenue Fund in 2013 and a payment for \$750 to a special bank account from the General Revenue Fund were recorded as transfers in and out when these were not actually transfers. A large transfer of \$3,843 from the General Revenue Fund to the Election Services Fund in 2014 was not shown as a transfer in to the Election Services Fund but was included within another receipt classification.

Status: Implemented.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Knox County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Knox County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Beard-Boehmer & Associates, PC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

September 2016
Report No. 2016-075

AUDITED FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI

**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

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BEARD-BOEHMER & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI

**KNOX COUNTY, MISSOURI
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August 12, 2016

INDEPENDENT AUDITORS' REPORT

To the County Commission
and Officeholders of
Knox County, Missouri

Report on the Financial Statements

We have audited the accompanying special purpose regulatory cash basis financial statements of Knox County, Missouri, which collectively comprise the statement of receipts, disbursements, and changes in cash—all governmental funds as of December 31, 2015 and 2014, and the related statements of receipts, disbursements, and changes in cash—budget and actual for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by Missouri Law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KNOX COUNTY, MISSOURI

INDEPENDENT AUDITORS' REPORT

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the special purpose financial statements are prepared by Knox County, Missouri, using accounting practices prescribed or permitted by Missouri Law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Knox County, Missouri, as of December 31, 2015 and 2014, and the changes in its financial position.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of each fund of Knox County, Missouri, as of December 31, 2015 and 2014, and their respective cash receipts and disbursements, and budgetary results for the years then ended, on the basis of the financial reporting provisions of Missouri Law as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2016, on our consideration of Knox County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Knox County, Missouri's internal control over financial reporting and compliance.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the State of Missouri and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Fund	Cash January 1, 2015	Receipts	Disbursements	Cash December 31, 2015	Cash January 1, 2014	Receipts	Disbursements	Cash December 31, 2014
General Revenue	\$ 108,253	852,183	748,540	\$ 211,896	\$ 8,709	874,512	774,968	\$ 108,253
Special Road and Bridge	152,474	1,099,666	1,068,617	183,523	90,330	1,079,004	1,016,860	152,474
Assessment	79,923	120,117	124,841	75,199	68,498	118,842	107,417	79,923
Capital Improvement	106,312	163,608	129,592	140,328	94,497	157,372	145,557	106,312
Law Enforcement	6,929	228,496	214,725	20,700	5,992	252,622	251,685	6,929
Sheriff's Fee	7,431	3,639	3,868	7,202	4,571	12,758	9,898	7,431
Law Enforcement Training	1,015	1,059	1,735	339	721	1,617	1,323	1,015
Children's Trust	6,675	768	-	7,443	10,897	778	5,000	6,675
Collector's Tax Maintenance	23,212	5,902	4,194	24,920	19,312	6,727	2,827	23,212
Economic Development	22	-	-	22	6,128	21	6,127	22
Election Service	2,266	4,784	54	6,996	2,351	2,939	3,024	2,266
Election Help America Vote Act (HAVA)	4,276	589	4,859	6	5,294	6,966	7,984	4,276
Inmate Security	814	1,457	763	1,508	-	814	-	814
Prosecuting Attorney Training	214	131	-	345	44	200	30	214
Prosecuting Attorney Crime	687	3,001	2,513	1,175	3,507	490	3,310	687
Prosecuting Attorney Delinquent Tax	1,726	19	760	985	1,945	33	252	1,726
Recorder's Technology	5,378	916	845	5,449	4,955	1,123	700	5,378
Recorder's User Fee	10,448	1,759	1,645	10,562	9,508	1,873	933	10,448
Restitution	5,864	3,949	3,455	6,358	5,778	5,904	5,818	5,864
Revolving	4,118	3,930	540	7,508	4,017	2,806	2,705	4,118
Sever Lake	89,170	10,309	21,461	78,018	79,167	27,408	17,405	89,170
Shop Tools	5,208	1,994	6,865	337	5,077	7,004	6,873	5,208
Community Development Block Grant*	430	-	-	430	430	-	-	430
CAFO Escrow Account**	9,531	444	334	9,641	9,389	142	-	9,531
Totals	\$ 632,376	2,508,720	2,340,206	\$ 800,890	\$ 441,117	2,561,955	2,370,696	\$ 632,376

* Separate noninterest-bearing bank account held by Treasurer for old CDBG monies awaiting final disposition.

** Separate interest-bearing bank account held by Treasurer for CAFO activities awaiting disposition.

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	General Revenue Fund					
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 196,077	188,852	(7,225)	\$ 200,663	199,008	(1,655)
Sales and use taxes	319,000	374,493	55,493	274,000	311,808	37,808
Intergovernmental	55,672	54,693	(979)	56,972	56,315	(657)
Charges for services	131,301	127,684	(3,617)	123,542	134,275	10,733
Interest	2,000	3,783	1,783	3,000	2,552	(448)
Other	46,782	49,708	2,926	10,877	20,219	9,342
Transfers in	52,970	52,970	-	150,335	150,335	-
Total Receipts	\$ 803,802	852,183	48,381	\$ 819,389	874,512	55,123
DISBURSEMENTS						
General County Government-						
County Commission	\$ 88,584	92,838	4,254	\$ 79,917	74,004	(5,913)
County Clerk	64,023	63,775	(248)	59,022	58,972	(50)
Elections	13,495	11,901	(1,594)	37,095	40,319	3,224
Buildings and grounds	73,785	71,173	(2,612)	60,411	60,911	500
Employee fringe benefits	63,611	71,138	7,527	86,000	76,869	(9,131)
County Treasurer	38,300	38,946	646	35,550	35,460	(90)
County Collector	67,366	66,543	(823)	63,456	63,413	(43)
Recorder of Deeds	43,500	42,218	(1,282)	40,300	40,049	(251)
Circuit Clerk	30,700	12,176	(18,524)	26,700	24,024	(2,676)
Court administration	282	-	(282)	787	294	(493)
Public Administrator	18,130	18,149	19	16,350	16,376	26
Public Safety-						
Prosecuting Attorney	75,780	73,608	(2,172)	70,017	67,512	(2,505)
Juvenile Officer	18,207	18,207	-	19,646	19,646	-
County Coroner	16,376	10,936	(5,440)	15,934	11,904	(4,030)
Court Reporter	464	18	(446)	404	307	(97)
Extension council	32,239	32,226	(13)	31,400	31,400	-
Other general county government	8,915	8,067	(848)	14,178	7,159	(7,019)
E911	52,000	52,000	-	45,000	48,672	3,672
Health and welfare	6,300	5,710	(590)	6,300	6,210	(90)
Transfers out	51,522	51,522	-	91,467	91,467	-
Emergency Fund *	50,000	7,389	(42,611)	24,582	-	(24,582)
Total Disbursements	\$ 813,579	748,540	(65,039)	\$ 824,516	774,968	(49,548)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (9,777)	103,643	113,420	\$ (5,127)	99,544	104,671
CASH, JANUARY 1	108,253	108,253	-	8,709	8,709	-
CASH, DECEMBER 31	\$ 98,476	211,896	113,420	\$ 3,582	108,253	104,671

* Use of funds for emergency replacement of 911 equipment and fire paging.

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Special Road and Bridge Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 466,288	495,537	29,249	\$ 471,478	490,941	19,463
Intergovernmental	501,000	539,009	38,009	484,313	525,244	40,931
Charges for services	47,400	56,972	9,572	50,000	46,508	(3,492)
Interest	4,000	5,951	1,951	4,800	4,156	(644)
Other	13,000	2,197	(10,803)	2,403	12,155	9,752
Total Receipts	\$ 1,031,688	1,099,666	67,978	\$ 1,012,994	1,079,004	66,010
DISBURSEMENTS						
Salaries	\$ 279,660	295,459	15,799	\$ 257,181	236,720	(20,461)
Employee fringe benefits	40,400	40,405	5	53,823	45,812	(8,011)
Supplies	202,900	154,616	(48,284)	196,400	167,260	(29,140)
Insurance	26,500	30,745	4,245	23,000	26,423	3,423
Materials	310,000	322,607	12,607	290,000	300,644	10,644
Equipment repairs	50,000	36,853	(13,147)	50,000	55,880	5,880
Capital outlay	100,000	96,248	(3,752)	-	-	-
Financial statements	425	223	(202)	425	411	(14)
Advertising	300	66	(234)	300	295	(5)
Drug testing	400	450	50	400	350	(50)
Dues	658	658	-	658	-	(658)
Election	-	-	-	6,000	5,800	(200)
Road signs	1,000	1,646	646	-	-	-
Debt service	38,641	38,641	-	38,641	38,641	-
Transfers out	50,000	50,000	-	138,624	138,624	-
Total Disbursements	\$ 1,100,884	1,068,617	(32,267)	\$ 1,055,452	1,016,860	(38,592)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (69,196)	31,049	100,245	\$ (42,458)	62,144	104,602
CASH, JANUARY 1	152,474	152,474	-	90,330	90,330	-
CASH, DECEMBER 31	\$ 83,278	183,523	100,245	\$ 47,872	152,474	104,602

SEE NOTES TO THE FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Assessment Fund					
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 92,122	93,163	1,041	\$ 90,912	92,016	1,104
Charges for services	250	513	263	-	414	414
Interest	1,400	1,661	261	1,500	1,710	210
Other	-	58	58	-	35	35
Transfers in	24,722	24,722	-	24,667	24,667	-
Total Receipts	\$ 118,494	120,117	1,623	\$ 117,079	118,842	1,763
DISBURSEMENTS						
Assessor	\$ 36,716	36,716	-	\$ 34,967	34,967	-
Salaries	45,231	45,231	-	40,791	40,791	-
Employee fringe benefits	11,973	9,812	(2,161)	11,500	8,065	(3,435)
Office supplies	4,000	3,417	(583)	10,500	5,419	(5,081)
Equipment	4,500	1,985	(2,515)	6,200	1,010	(5,190)
Mileage and training	3,000	2,731	(269)	4,000	1,711	(2,289)
Software management	2,250	225	(2,025)	4,500	2,010	(2,490)
Arc view	400	400	-	400	400	-
Appraisal guide	500	195	(305)	500	220	(280)
Advertising	100	-	(100)	100	-	(100)
Postage	2,300	1,955	(345)	2,000	1,331	(669)
Printing	500	336	(164)	600	336	(264)
Mapping maintenance	3,400	855	(2,545)	3,400	380	(3,020)
Software (CLT)	6,625	5,900	(725)	5,800	6,625	825
Health insurance reimbursement	-	-	-	3,500	4,152	652
Business overhead expense	400	-	(400)	400	-	(400)
Vehicle purchase	20,000	14,900	(5,100)	-	-	-
Vehicle expense	3,500	183	(3,317)	-	-	-
Total Disbursements	\$ 145,395	124,841	(20,554)	\$ 129,158	107,417	(21,741)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (26,901)	(4,724)	22,177	\$ (12,079)	11,425	23,504
CASH, JANUARY 1	79,923	79,923	-	68,498	68,498	-
CASH, DECEMBER 31	\$ 53,022	75,199	22,177	\$ 56,419	79,923	23,504

SEE NOTES TO THE FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Capital Improvement Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Sales and use taxes	\$ 151,200	161,564	10,364	\$ 137,000	155,903	18,903
Interest	1,200	2,044	844	680	1,469	789
Total Receipts	\$ 152,400	163,608	11,208	\$ 137,680	157,372	19,692
DISBURSEMENTS						
Bridge repair and replacement	\$ 15,000	25,801	10,801	\$ 39,200	39,265	65
Road maintenance	115,000	95,402	(19,598)	91,000	13,324	(77,676)
Courthouse improvements	30,000	8,389	(21,611)	25,000	12,450	(12,550)
911 signs	-	-	-	22,000	22,818	818
Purchase new machinery	-	-	-	-	57,700	57,700
Total Disbursements	\$ 160,000	129,592	(30,408)	\$ 177,200	145,557	(31,643)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (7,600)	34,016	41,616	\$ (39,520)	11,815	51,335
CASH, JANUARY 1	106,312	106,312	-	94,497	94,497	-
CASH, DECEMBER 31	\$ 98,712	140,328	41,616	\$ 54,977	106,312	51,335

Law Enforcement Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Sales and use taxes	\$ 156,500	161,565	5,065	\$ 155,766	155,896	130
Intergovernmental	10,000	16,216	6,216	19,285	18,147	(1,138)
Charges for services	4,200	10,736	6,536	3,919	9,057	5,138
Interest	275	203	(72)	120	276	156
Other	17,400	12,976	(4,424)	18,026	2,446	(15,580)
Transfers in	26,800	26,800	-	66,800	66,800	-
Total Receipts	\$ 215,175	228,496	13,321	\$ 263,916	252,622	(11,294)
DISBURSEMENTS						
Salaries	\$ 152,191	150,555	(1,636)	\$ 176,525	175,984	(541)
Drug task force	3,150	3,150	-	3,150	3,150	-
General expense/supplies	2,000	1,354	(646)	2,254	2,433	179
Missouri Uniform Law Enforcement System	-	-	-	750	1,200	450
Radio equipment	1,500	936	(564)	1,389	1,389	-
Equipment	5,000	5,506	506	-	-	-
Vehicle lease	15,000	-	(15,000)	-	-	-
Fuel	15,000	8,399	(6,601)	12,000	11,504	(496)
Board of prisoners	15,000	37,739	22,739	22,098	22,098	-
Uniforms	450	501	51	450	374	(76)
Car expense	3,000	5,064	2,064	6,042	6,042	-
Miscellaneous	250	191	(59)	500	96	(404)
Deputy sheriffs' expenses	4,500	1,330	(3,170)	1,700	1,553	(147)
Dispatch - ambulance	-	-	-	1,500	1,494	(6)
Truck purchase	-	-	-	24,368	24,368	-
Total Disbursements	\$ 217,041	214,725	(2,316)	\$ 252,726	251,685	(1,041)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,866)	13,771	15,637	\$ 11,190	937	(10,253)
CASH, JANUARY 1	6,929	6,929	-	5,992	5,992	-
CASH, DECEMBER 31	\$ 5,063	20,700	15,637	\$ 17,182	6,929	(10,253)

SEE NOTES TO THE FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Sheriff's Fee Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 1,500	-	(1,500)	\$ -	-	-
Charges for services	5,500	3,501	(1,999)	6,000	4,093	(1,907)
Interest	70	138	68	40	75	35
Property sale	-	-	-	8,590	8,590	-
Total Receipts	\$ 7,070	3,639	(3,431)	\$ 14,630	12,758	(1,872)
DISBURSEMENTS						
Mileage and training	\$ 500	760	260	\$ 400	575	175
Equipment	1,500	2,108	608	9,500	9,323	(177)
Part-time deputy	5,000	1,000	(4,000)	-	-	-
Total Disbursements	\$ 7,000	3,868	(3,132)	\$ 9,900	9,898	(2)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 70	(229)	(299)	\$ 4,730	2,860	(1,870)
CASH, JANUARY 1	7,431	7,431	-	4,571	4,571	-
CASH, DECEMBER 31	\$ 7,501	7,202	(299)	\$ 9,301	7,431	(1,870)

Law Enforcement Training Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 500	500	-	\$ -	500	500
Charges for services	600	498	(102)	1,000	1,106	106
Interest	11	11	-	9	11	2
Other	-	50	50	-	-	-
Total Receipts	\$ 1,111	1,059	(52)	\$ 1,009	1,617	608
DISBURSEMENTS						
Continuing education	\$ 500	750	250	\$ 500	550	50
Training	900	985	85	400	773	373
Total Disbursements	\$ 1,400	1,735	335	\$ 900	1,323	423
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (289)	(676)	(387)	\$ 109	294	185
CASH, JANUARY 1	1,015	1,015	-	721	721	-
CASH, DECEMBER 31	\$ 726	339	(387)	\$ 830	1,015	185

SEE NOTES TO THE FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Children's Trust Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 630	653	23	\$ 600	630	30
Interest	150	115	(35)	150	148	(2)
Total Receipts	\$ 780	768	(12)	\$ 750	778	28
DISBURSEMENTS						
Shelter donation	\$ -	-	-	\$ 5,000	5,000	-
Total Disbursements	\$ -	-	-	\$ 5,000	5,000	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 780	768	(12)	\$ (4,250)	(4,222)	28
CASH, JANUARY 1	6,675	6,675	-	10,897	10,897	-
CASH, DECEMBER 31	\$ 7,455	7,443	(12)	\$ 6,647	6,675	28

Collector's Tax Maintenance Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 6,350	5,510	(840)	\$ 6,500	6,363	(137)
Interest	350	392	42	300	364	64
Total Receipts	\$ 6,700	5,902	(798)	\$ 6,800	6,727	(73)
DISBURSEMENTS						
Computer	\$ 2,500	1,887	(613)	\$ 3,000	1,100	(1,900)
Mileage and training	2,000	1,460	(540)	2,000	1,274	(726)
Office	600	292	(308)	600	378	(222)
Professional services	75	75	-	100	75	(25)
Extra help	600	480	(120)	-	-	-
Total Disbursements	\$ 5,775	4,194	(1,581)	\$ 5,700	2,827	(2,873)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 925	1,708	783	\$ 1,100	3,900	2,800
CASH, JANUARY 1	23,212	23,212	-	19,312	19,312	-
CASH, DECEMBER 31	\$ 24,137	24,920	783	\$ 20,412	23,212	2,800

SEE NOTES TO THE FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Economic Development Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ -	-	-	\$ -	21	21
Total Receipts	\$ -	-	-	\$ -	21	21
DISBURSEMENTS						
Transfers out	\$ -	-	-	\$ 6,128	6,127	(1)
Total Disbursements	\$ -	-	-	\$ 6,128	6,127	(1)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	-	-	\$ (6,128)	(6,106)	22
CASH, JANUARY 1	22	22	-	6,128	6,128	-
CASH, DECEMBER 31	\$ 22	22	-	\$ -	22	22

Election Service Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 2,029	2,181	152	\$ 438	438	-
Interest	-	80	80	40	56	16
Other	-	2,523	2,523	1,823	2,445	622
Total Receipts	\$ 2,029	4,784	2,755	\$ 2,301	2,939	638
DISBURSEMENTS						
Equipment	\$ 2,000	41	(1,959)	\$ 1,000	1,116	116
Grants	1,529	-	(1,529)	600	1,617	1,017
Mileage and training	-	13	13	1,000	291	(709)
Supplies	-	-	-	500	-	(500)
Total Disbursements	\$ 3,529	54	(3,475)	\$ 3,100	3,024	(76)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,500)	4,730	6,230	\$ (799)	(85)	714
CASH, JANUARY 1	2,266	2,266	-	2,351	2,351	-
CASH, DECEMBER 31	\$ 766	6,996	6,230	\$ 1,552	2,266	714

SEE NOTES TO THE FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL -REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Election Help America Vote Act (HAVA) Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 515	515	-	\$ 584	584	-
Interest	80	74	(6)	-	122	122
Equipment rental	1,625	-	(1,625)	4,950	6,260	1,310
Total Receipts	\$ 2,220	589	(1,631)	\$ 5,534	6,966	1,432
DISBURSEMENTS						
Equipment	\$ 5,000	4,344	(656)	\$ 6,400	7,400	1,000
Maintenance on machines	-	-	-	1,000	-	(1,000)
Transfers out	515	515	-	584	584	-
Total Disbursements	\$ 5,515	4,859	(656)	\$ 7,984	7,984	-
RECEIPTS OVER (UNDER) DISBURSEMENT:	\$ (3,295)	(4,270)	(975)	\$ (2,450)	(1,018)	1,432
CASH, JANUARY 1	4,276	4,276	-	5,294	5,294	-
CASH, DECEMBER 31	\$ 981	6	(975)	\$ 2,844	4,276	1,432

Inmate Security Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 5	20	15	\$ -	4	4
Inmate	600	563	(37)	-	317	317
MoDEX phone fees	980	874	(106)	-	493	493
Total Receipts	\$ 1,585	1,457	(128)	\$ -	814	814
DISBURSEMENTS						
Equipment	\$ 500	263	(237)	\$ -	-	-
Fuel	500	500	-	-	-	-
Total Disbursements	\$ 1,000	763	(237)	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENT:	\$ 585	694	109	\$ -	814	814
CASH, JANUARY 1	814	814	-	-	-	-
CASH, DECEMBER 31	\$ 1,399	1,508	109	\$ -	814	814

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Prosecuting Attorney Training Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 100	127	27	\$ 100	198	98
Interest	2	4	2	1	2	1
Total Receipts	\$ 102	131	29	\$ 101	200	99
DISBURSEMENTS						
Training	\$ 50	-	(50)	\$ 30	30	-
Total Disbursements	\$ 50	-	(50)	\$ 30	30	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 52	131	79	\$ 71	170	99
CASH, JANUARY 1	214	214	-	44	44	-
CASH, DECEMBER 31	\$ 266	345	79	\$ 115	214	99

Prosecuting Attorney Crime Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,500	2,985	1,485	\$ 1,500	450	(1,050)
Interest	50	16	(34)	50	40	(10)
Total Receipts	\$ 1,550	3,001	1,451	\$ 1,550	490	(1,060)
DISBURSEMENTS						
Mileage and training	\$ 500	1,188	688	\$ 750	1,461	711
Bad check fee	500	457	(43)	500	50	(450)
Other	250	868	618	-	1,799	1,799
Total Disbursements	\$ 1,250	2,513	1,263	\$ 1,250	3,310	2,060
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 300	488	188	\$ 300	(2,820)	(3,120)
CASH, JANUARY 1	687	687	-	3,507	3,507	-
CASH, DECEMBER 31	\$ 987	1,175	188	\$ 3,807	687	(3,120)

SEE NOTES TO THE FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Prosecuting Attorney Delinquent Tax Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ -	-	-	\$ 250	-	(250)
Interest	30	19	(11)	25	33	8
Total Receipts	\$ 30	19	(11)	\$ 275	33	(242)
DISBURSEMENTS						
Equipment	\$ -	71	71	\$ 1,000	217	(783)
Computer	750	689	(61)	-	-	-
Mileage and training	250	-	(250)	-	-	-
Other	-	-	-	-	35	35
Total Disbursements	\$ 1,000	760	(240)	\$ 1,000	252	(748)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (970)	(741)	229	\$ (725)	(219)	506
CASH, JANUARY 1	1,726	1,726	-	1,945	1,945	-
CASH, DECEMBER 31	\$ 756	985	229	\$ 1,220	1,726	506

Recorder's Technology Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,000	828	(172)	\$ 1,000	1,040	40
Interest	10	88	78	10	83	73
Total Receipts	\$ 1,010	916	(94)	\$ 1,010	1,123	113
DISBURSEMENTS						
Computer	\$ 1,000	845	(155)	\$ 1,000	700	(300)
Miscellaneous	500	-	(500)	-	-	-
Total Disbursements	\$ 1,500	845	(655)	\$ 1,000	700	(300)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (490)	71	561	\$ 10	423	413
CASH, JANUARY 1	5,378	5,378	-	4,955	4,955	-
CASH, DECEMBER 31	\$ 4,888	5,449	561	\$ 4,965	5,378	413

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Recorder's User Fee Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,800	1,587	(213)	\$ 1,800	1,708	(92)
Interest	10	172	162	10	165	155
Total Receipts	\$ 1,810	1,759	(51)	\$ 1,810	1,873	63
DISBURSEMENTS						
Computer	\$ 1,000	148	(852)	\$ 1,000	700	(300)
Furnishings	300	35	(265)	300	233	(67)
Equipment	2,000	1,100	(900)	-	-	-
Preservation	500	-	(500)	-	-	-
Assessment fee	250	250	-	-	-	-
Miscellaneous	500	112	(388)	-	-	-
Total Disbursements	\$ 4,550	1,645	(2,905)	\$ 1,300	933	(367)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,740)	114	2,854	\$ 510	940	430
CASH, JANUARY 1	10,448	10,448	-	9,508	9,508	-
CASH, DECEMBER 31	\$ 7,708	10,562	2,854	\$ 10,018	10,448	430

Restitution Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ -	-	-	\$ 30	-	(30)
Interest	120	99	(21)	40	138	98
Donations	4,000	3,850	(150)	1,000	5,766	4,766
Total Receipts	\$ 4,120	3,949	(171)	\$ 1,070	5,904	4,834
DISBURSEMENTS						
Sheriff's equipment	\$ 3,800	3,000	(800)	\$ 5,818	5,818	-
Transfers out	-	455	455	-	-	-
Total Disbursements	\$ 3,800	3,455	(345)	\$ 5,818	5,818	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 320	494	174	\$ (4,748)	86	4,834
CASH, JANUARY 1	5,864	5,864	-	5,778	5,778	-
CASH, DECEMBER 31	\$ 6,184	6,358	174	\$ 1,030	5,864	4,834

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Revolving Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 2,700	3,843	1,143	\$ 1,000	2,747	1,747
Interest	55	87	32	40	59	19
Total Receipts	\$ 2,755	3,930	1,175	\$ 1,040	2,806	1,766
DISBURSEMENTS						
Computer support	\$ 550	540	(10)	\$ 540	705	165
CCW supplies	-	-	-	200	-	(200)
Computer	1,000	-	(1,000)	2,000	2,000	-
Total Disbursements	\$ 1,550	540	(1,010)	\$ 2,740	2,705	(35)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,205	3,390	2,185	\$ (1,700)	101	1,801
CASH, JANUARY 1	4,118	4,118	-	4,017	4,017	-
CASH, DECEMBER 31	\$ 5,323	7,508	2,185	\$ 2,317	4,118	1,801

Sever Lake Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 1,300	1,422	122	\$ 800	1,349	549
Cash rent	24,000	8,865	(15,135)	24,047	24,047	-
Refund	-	22	22	-	12	12
Other	-	-	-	-	2,000	2,000
Total Receipts	\$ 25,300	10,309	(14,991)	\$ 24,847	27,408	2,561
DISBURSEMENTS						
Supplies	\$ 600	260	(340)	\$ 600	185	(415)
Electricity	1,000	653	(347)	1,000	704	(296)
Trash removal	1,500	2,719	1,219	1,500	1,336	(164)
Mowing	6,500	9,302	2,802	6,500	5,658	(842)
Rock	6,000	2,627	(3,373)	6,000	4,138	(1,862)
Chemicals	500	310	(190)	500	248	(252)
Sand	5,000	-	(5,000)	600	-	(600)
Signs	800	-	(800)	800	-	(800)
General improvement	20,000	3,590	(16,410)	20,000	136	(19,864)
Transfers out	2,000	2,000	-	5,000	5,000	-
Total Disbursements	\$ 43,900	21,461	(22,439)	\$ 42,500	17,405	(25,095)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (18,600)	(11,152)	7,448	\$ (17,653)	10,003	27,656
CASH, JANUARY 1	89,170	89,170	-	79,167	79,167	-
CASH, DECEMBER 31	\$ 70,570	78,018	7,448	\$ 61,514	89,170	27,656

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Shop Tools Fund						
	2015			2014		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 80	88	8	\$ 31	93	62
Scrap metal sales	5,000	1,906	(3,094)	6,853	6,911	58
Total Receipts	\$ 5,080	1,994	(3,086)	\$ 6,884	7,004	120
DISBURSEMENTS						
Tools	\$ 10,000	6,865	(3,135)	\$ 10,000	6,873	(3,127)
Total Disbursements	\$ 10,000	6,865	(3,135)	\$ 10,000	6,873	(3,127)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,920)	(4,871)	49	\$ (3,116)	131	3,247
CASH, JANUARY 1	5,208	5,208	-	5,077	5,077	-
CASH, DECEMBER 31	\$ 288	337	49	\$ 1,961	5,208	3,247

SEE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Knox County, Missouri is governed by a County Commission with three members. In addition to the three commission members, there are ten elected Officers: Assessor, Circuit Clerk, County Clerk, Collector, Treasurer, Coroner, Prosecuting Attorney, Public Administrator, Recorder, and Sheriff.

As discussed further in Note 1.C., these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. REPORTING ENTITY

The County's operations include tax assessments and collections, election services, county courts administration, county recording of instruments, public safety, economic development, road and bridge maintenance, and social and human services. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or elected county officials.

The financial statements referred to above include the primary government of Knox County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the County's legal entity.

B. BASIS OF PRESENTATION

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts, and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain county officials, particularly the County Collector, Treasurer, Sheriff, and Public Administrator, collect and hold monies in a trustee capacity as an agent for individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds, which are considered custodial in nature and are not reported on the accompanying financial statements.

C. BASIS OF ACCOUNTING

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

KNOX COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

D. BUDGETS AND BUDGETARY ACCOUNTING

The County follows these procedures in establishing the budget information:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. During January, each elected officer or department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the modified cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. A public hearing is conducted to obtain public comment on the budget documents. Prior to approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Budgets are prepared and adopted on the cash basis of accounting.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote. Budgeted amounts are as originally adopted, or as amended by the County Commission during the year. The County did not amend the 2015 budget. The County Commission amended the 2014 budget for the following funds:

Fund
General Revenue
Special Road & Bridge
Law Enforcement
Sheriff's Fee
Restitution
Shop Tools

8. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds for 2015 and 2014.

Fund	Years Ended December 31,
Law Enforcement Training	2015 and 2014
Prosecuting Attorney Crime	2015 and 2014

KNOX COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

E. SALES TAX AND USE TAX RATES

The County has the following sales tax and use tax rates:

General sales tax	1%	\$ 0.01000
Capital improvement sales tax	1/2%	0.00500
Law enforcement sales tax	1/2%	<u>0.00500</u>
Total sales tax rate		\$ <u>0.02000</u>
Use tax rate	2%	\$ <u><u>0.02000</u></u>

F. PROPERTY TAXES

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in September and payable by December 31. Taxes paid after December 31 are delinquent and subject to penalties. The County bills and collects its own property taxes and also taxes for most other local governments in the County.

The assessed valuation of the tangible property for the purposes of local taxation was:

	2015	2014
Real Estate	\$ 42,796,525	\$ 41,517,852
Personal Property	23,102,230	22,020,102
Railroad and Utilities	13,668,262	12,731,928
Total Assessed Valuation	\$ <u>79,567,017</u>	\$ <u>76,269,882</u>

The countywide levy per \$100 of total assessed valuation of tangible property for purposes of local taxation was:

	2015	2014
General Revenue Fund	\$.2282	\$.2456
Special Road and Bridge Fund	.6561	.6651

G. CASH DEPOSITS

Cash deposits in money market accounts are stated at cost, which approximates market. Cash balances for the County Treasurer's funds are invested to the extent possible. Interest earned is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less; however, nonnegotiable certificates of deposit with original maturity of greater than ninety days are considered as cash equivalents. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par.

KNOX COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

H. INTERFUND ACTIVITY

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Transfers between funds of the primary government for the years ended December 31, 2015 and 2014 were as follows:

Year Ended December 31, 2015		
Fund	Transfers In	Transfers Out
General Revenue	\$ 52,970	\$ 51,522
Special Road and Bridge	-	50,000
Assessment	24,722	-
Law Enforcement	26,800	-
Election Help America Vote Act (HAVA)	-	515
Restitution	-	455
Sever Lake	-	2,000
Totals	\$ 104,492	\$ 104,492

Year Ended December 31, 2014		
Fund	Transfers In	Transfers Out
General Revenue	\$ 150,335	\$ 91,467
Special Road and Bridge	-	138,624
Assessment	24,667	-
Law Enforcement	66,800	-
Economic Development	-	6,127
Election Help America Vote Act (HAVA)	-	584
Sever Lake	-	5,000
Totals	\$ 241,802	\$ 241,802

I. PUBLISHED FINANCIAL STATEMENTS

Under Section 50.800 and 50.810 RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. For the years ended December 31, 2015 and 2014, the published financial statements included all funds and the required information.

KNOX COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2. CASH

The County has determined through experience that checking accounts and money market accounts are appropriate types of accounts or instruments for its needs. Each fund type's portion of the County's cash is included on the financial statements as "Cash" under each fund's caption. Section 110.270 RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2015 and 2014, the County had no such investments.

Disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of the disclosures, deposits with financial institutions are demand and time accounts in the County's bank.

Insured and Collateralized Deposits

In accordance with state law, all uninsured deposits in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain state or political subdivision debt obligations, surety bonds, or certain letters of credit. Missouri statutes also require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

At December 31, 2015 and 2014, the total of all County's deposits held at the respective depository bank were adequately covered by Federal Depository Insurance Coverage and with a \$1,000,000 Federal Home Loan Bank Letter of Credit and additional collateral securities held by an independent bank in the County's name or by its agent in the County's name.

In addition, Section 30.950 RSMo requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has not adopted a written investment policy in accordance with applicable state law.

NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. Deferred Compensation Plan

County employees can voluntarily elect to participate in a deferred compensation 457 plan as part of their retirement plan. The County does not contribute to this plan on behalf of any employee. For the years ended December 31, 2015 and 2014, participating employee contributions were \$7,851 and \$7,782, respectively.

B. County Employees' Retirement Fund

The County Employees' Retirement Fund (CERF) was established pursuant to SB 579, effective August 28, 1994, by the state of Missouri to provide a retirement benefit to eligible county employees.

**KNOX COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS (CONTINUED)

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties of not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under sections 56.800 to 56.840, RSMo; circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System; county sheriffs covered under sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The general administration and the responsibility for the proper operation of the Fund and the investment of the Fund are vested in a board of directors of eleven persons.

2) Pension Benefits

CERF first paid benefits beginning January 1, 1997. At that time a member could not retire until age 62. Beginning January 1, 2000, employees could retire with full benefits at age 62 or reduced benefits at age 55. The monthly benefit for county employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). An eligible death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two or a reduced benefit annuity at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the Fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling toll-free 1-877-632-2373.

3) Funding Policy

In accordance with state statutes, the Retirement Fund is partially funded through various fees collected and remitted to CERF. Depending on the hire date and LAGERS status, contribution rates can be 0%, 2%, 4%, or 6%. A county can choose to pay up to 4% for its employees. A contribution to CERF of 2% of annual salary is required for eligible employees hired before February 25, 2002, and a contribution of 6% of annual salary is required of employees hired after February 25, 2002, effective January 1, 2003, in order to participate in CERF. During 2015 and 2014, the County collected and remitted to CERF \$80,216 and \$78,324, respectively, for the years then ended. The County is not a member in LAGERS.

NOTE 4. PROSECUTING ATTORNEY RETIREMENT

In accordance with state statute chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney's Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County contributed \$2,244 for the years ended December 31, 2015 and 2014, on behalf of the Prosecuting Attorney.

KNOX COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 5. POST- EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

NOTE 6. COMMITMENTS AND CONTINGENCIES

1) Compensated Absences

Vacation time is accrued for every eligible employee in the County and accrues at the rate of up to two weeks per year. The County provides full-time employees and part-time employees who occupy regular budgeted positions with sick time, which accrues at two days per calendar month of employment up to ninety days. Upon termination, no payment will be made for unused vacation or sick days.

2) Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

3) The County had the following debt outstanding at December 31, 2015:

- A. The County entered into a three-year lease-purchase of a 2013 Caterpillar motor grader in January 2013. The total principal of the three-year lease agreement is \$108,882 with total principal and interest payments of \$38,641 for 2014, 2015, and 2016 (total of \$115,923). The total principal paid as of December 31, 2015, was \$71,439 and total interest paid of \$5,843 (total of \$7,282). The total remaining principal and interest due as of December 31, 2015, is \$37,443 in principal with interest of \$1,198.
- B. In 2012, the County purchased voting equipment in the amount of \$52,885 with no interest charged. The County paid \$8,400 in 2015 and 2014, with \$23,991 due as of December 31, 2015.
- C. In 2015, the County entered into a five-year lease agreement for two police cars for \$51,018. The principal amount due as of December 31, 2015, is \$51,018. The total amount financed was \$51,018 with total principal and interest payments of \$11,020 per year as follows:

YEAR		PRINCIPAL		INTEREST		TOTAL
2016	\$	9,683	\$	1,337	\$	11,020
2017		9,936		1,084		11,020
2018		10,197		823		11,020
2019		10,464		556		11,020
2020		10,738		282		11,020
Total	\$	51,018	\$	4,082	\$	55,100

KNOX COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. The County entered into a seven year lease-purchase of one new motor grader and one used road grader in October 2015 for a total price of \$391,461, less a payment of \$74,500 paid (balance of \$316,961). The total amount financed was \$317,111 with total principal and interest payments of \$51,282 per year through 2022 (\$16,196 on old grader and \$35,086 on new grader). The amount financed for the used grader was \$100,150 and the new grader was \$216,961 (total of \$317,111 including a \$2 balloon payment). The total amount due on the lease agreement as of December 31, 2015, is as follows:

YEAR		PRINCIPAL		INTEREST		TOTAL
2016	\$	41,135	\$	10,147	\$	51,282
2017		42,451		8,831		51,282
2018		43,810		7,472		51,282
2019		45,212		6,070		51,282
2020		46,658		4,624		51,282
2021		48,151		3,131		51,282
2022		49,694		1,590		51,284
Totals	\$	<u>317,111</u>	\$	<u>41,865</u>	\$	<u>358,976</u>

NOTE 7. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters; and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

NOTE 8. SUBSEQUENT EVENT

In April 2016, voters in Knox County, Missouri, approved an additional countywide sales tax rate of 1/2% to fund capital improvements for the courthouse. The tax goes into effect on September 30, 2016, for fifteen years (expires on September 30, 2031, or whenever the final payment occurs on the project financing, whichever comes first).

COMPLIANCE SECTION

August 12, 2016

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the County Commission
and Officeholders of
Knox County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the county funds of Knox County, Missouri, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Knox County, Missouri's basic financial statements, and have issued our report thereon dated August 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Knox County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Knox County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Knox County, Missouri's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knox County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

**KNOX COUNTY, MISSOURI
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONTINUED)**

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted one immaterial instance of noncompliance we have reported to Knox County, Missouri in the accompanying Schedule of Findings and Response as item 1.

Knox County, Missouri's Response to Finding

Knox County's response to the finding identified in our audit is described in the accompanying schedule of findings and response. We did not audit Knox County's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the State of Missouri and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Beard-Boehmer & Associates, PC

Beard-Boehmer and Associates, PC
Columbia, MO

**KNOX COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

1. Budgetary Controls Not in Compliance With State Law

Condition: We noted the following issue with the County's budgeting process during our audit:

The County Commission and other county officials did not exercise adequate budgetary control over two funds during the audit period. Expenditures were approved for payment that exceeded the approved budget for the following funds as shown below:

<u>Fund</u>	<u>Year</u>	<u>Amount</u>
Law Enforcement Training	2015	\$ 335
Law Enforcement Training	2014	\$ 423
Prosecuting Attorney Crime	2015	\$ 1,263
Prosecuting Attorney Crime	2014	\$ 2,060

Criteria: Section 50.540 RSMo requires that the budget be revised prior to authorizing expenditures in excess of the budget.

Cause: County officials did not prepare amended budgets for the two funds.

Effect: The County Commission and the County Clerk did not follow state law and budgetary guidelines on the preparation of budget documents.

Recommendation:

- A. The County Commission and County Clerk should ensure amended budgets are prepared and formally approved and filed with the state as required by state law.
- B. The County Commission should not approve expenditures in excess of budgeted amounts. The County Commission should properly amend the budgets in a public meeting when unforeseen circumstances arise that necessitate increased expenditures in any fund.

Response: In the future, we will make a more assertive effort to monitor the balances in all the budget funds. We will be more proactive in amending the budget when necessary.

**KNOX COUNTY, MISSOURI
FOLLOW UP ON PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

The County did not have an audit for the prior two years of 2012 and 2013 and, therefore, there are no prior audit findings to follow up on. The last audit of the County was for the two years ended December 31, 2011.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Wayne County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Wayne County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

September 2016
Report No. 2016-076

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015 AND 2014

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
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FINANCIAL SECTION



Daniel Jones & Associates

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Wayne, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Wayne ("County"), Missouri, which comprise cash and unencumbered cash for each fund as of December 31, 2015, and 2014, and the related statements of cash receipts and disbursements and disbursements-budget and actual for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting, a financial reporting framework prescribed or permitted by Missouri law as described in Note I of the accompanying financial statements. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note I of the financial statements, the financial statements are prepared on the basis of the financial reporting provisions prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Missouri.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note I and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County as of December 31, 2015, and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash of each fund of the County as of December 31, 2015, and 2014, and their respective cash receipts and disbursements, and budgetary results for the years then ended in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note I.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Wayne’s basic financial statements. The schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is not fairly stated, in all material respects, in relation to the basic financial statements as a whole due to the Schools and Roads - Grants to States program not being auditable.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016, on our consideration of the County of Wayne's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Wayne's internal control over financial reporting and compliance.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

June 24, 2016

FINANCIAL STATEMENTS

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES -
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

FUND	CASH AND INVESTMENT BALANCES JANUARY 1, 2015	RECEIPTS 2015	DISBURSEMENTS 2015	CASH AND INVESTMENT BALANCES DECEMBER 31, 2015
General Revenue Fund	\$ 6,395.37	\$ 2,577,285.39	\$ 2,539,678.14	\$ 44,002.62
Special Road and Bridge Fund	83,659.43	2,058,095.05	2,050,630.09	91,124.39
Assessment Fund	24,893.05	174,891.47	174,683.66	25,100.86
Prosecuting Attorney Training Fund	3,123.42	563.73	2,404.86	1,282.29
Law Enforcement Training Fund	1,253.59	3,455.51	4,138.05	571.05
Domestic Violence/Special Trust Fund	-	648.32	-	648.32
Delinquent Tax Fund	1,657.01	-	-	1,657.01
Inmate Security Fund	3,091.94	39,735.00	29,666.80	13,160.14
Law Library Fund	17.67	6,031.73	4,551.63	1,497.77
Landfill Fund	12,004.17	168.94	-	12,173.11
Law Enforcement Restitution Fund	14,936.82	67,451.33	78,639.86	3,748.29
Recorders' User's Fee Fund	15,269.64	25,852.70	18,190.28	22,932.06
Sheriff's Civil Fund	2,366.31	18,751.73	17,294.86	3,823.18
Sheriff's Revolving Fund	6,512.74	18,617.61	12,743.42	12,386.93
Special Check Fund	35,580.16	9,599.82	23,333.23	21,846.75
Special Law Enforcement Fund	430.58	44,521.32	34,458.48	10,493.42
Election Services Fund	17,371.32	2,541.30	1,275.49	18,637.13
Tax Maintenance Fund	429.62	17,230.71	16,805.21	855.12
DWI Fund	379.94	1.40	-	381.34
Title III Fund	33,108.75	31,151.09	-	64,259.84
Senate Bill 40 Fund	195,748.36	113,171.60	82,449.24	226,470.72
Wayne County Improvement Corp. Fund	26,691.60	48,561.48	43,994.00	31,259.08
TOTAL	<u>\$ 484,921.49</u>	<u>\$ 5,258,327.23</u>	<u>\$ 5,134,937.30</u>	<u>\$ 608,311.42</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES -
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2014

FUND	CASH AND INVESTMENT BALANCES JANUARY 1, 2014	RECEIPTS 2014	DISBURSEMENTS 2014	CASH AND INVESTMENT BALANCES DECEMBER 31, 2014
General Revenue Fund	\$ 77,693.63	\$ 2,338,556.00	\$ 2,409,854.26	\$ 6,395.37
Special Road and Bridge Fund	37,825.10	1,489,460.03	1,443,625.70	83,659.43
Assessment Fund	13,400.86	188,418.43	176,926.24	24,893.05
Prosecuting Attorney Training Fund	2,844.73	644.11	365.42	3,123.42
Law Enforcement Training Fund	1,291.52	3,872.07	3,910.00	1,253.59
Domestic Violence/Special Trust Fund	681.89	692.83	1,374.72	-
Delinquent Tax Fund	1,657.01	-	-	1,657.01
Inmate Security Fund	5,764.19	11,528.00	14,200.25	3,091.94
Law Library Fund	239.13	5,865.80	6,087.26	17.67
Landfill Fund	11,837.57	166.60	-	12,004.17
Law Enforcement Restitution Fund	8,195.15	75,700.32	68,958.65	14,936.82
Recorders' User's Fee Fund	14,329.12	21,808.50	20,867.98	15,269.64
Sheriff's Civil Fund	379.04	22,154.68	20,167.41	2,366.31
Sheriff's Revolving Fund	8,198.42	9,433.00	11,118.68	6,512.74
Special Check Fund	29,375.99	12,893.78	6,689.61	35,580.16
Special Law Enforcement Fund	26,012.37	111,815.40	137,397.19	430.58
Election Services Fund	18,703.77	4,914.86	6,247.31	17,371.32
Tax Maintenance Fund	154.09	17,866.08	17,590.55	429.62
DWI Fund	378.75	1.19	-	379.94
Title III Fund	-	33,108.75	-	33,108.75
Senate Bill 40 Fund	190,383.33	110,992.87	105,627.84	195,748.36
Wayne County Improvement Corp. Fund	22,089.99	48,564.61	43,963.00	26,691.60
TOTAL	<u>\$ 471,435.65</u>	<u>\$ 4,508,457.91</u>	<u>\$ 4,494,972.07</u>	<u>\$ 484,921.49</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	GENERAL REVENUE FUND			
	2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 26,792.00	\$ 26,792.34	\$ 41,644.26	\$ 36,149.54
Sales Taxes	988,312.00	988,311.63	900,000.00	962,479.44
Intergovernmental	390,301.20	383,775.26	345,974.39	362,565.32
Charges for Services	204,349.68	204,157.81	230,700.00	227,376.40
Interest	636.00	656.58	850.00	792.72
Other	597,593.00	676,172.75	483,572.92	560,599.38
Transfers In	354,228.02	297,419.02	367,878.31	188,593.20
TOTAL RECEIPTS	2,562,211.90	2,577,285.39	2,370,619.88	2,338,556.00
DISBURSEMENTS				
County Commission	85,380.00	84,446.32	80,606.64	80,990.57
County Clerk	69,877.60	69,623.03	66,519.40	65,379.98
Elections	51,681.02	50,877.02	130,956.00	125,448.52
Buildings and Grounds	58,058.85	48,593.03	57,640.60	55,603.40
Employee Fringe Benefits	314,553.00	360,008.23	332,444.00	311,416.37
County Treasurer	43,175.00	42,487.93	42,122.40	41,439.01
Collector	105,715.49	104,753.40	111,618.24	111,453.96
Recorder of Deeds	55,865.00	52,113.48	54,427.40	50,070.46
Circuit Clerk	21,407.00	17,735.60	19,527.00	18,215.26
Court Administration	3,325.00	2,623.19	3,480.00	2,504.62
Public Administrator	41,710.00	41,680.63	39,857.40	39,767.52
Sheriff	484,290.00	443,011.43	436,291.74	419,122.37
Jail	489,500.00	408,991.15	368,029.06	367,983.75
Prosecuting Attorney	140,429.73	134,071.58	61,049.72	58,319.90
Juvenile Officer	43,430.13	43,430.13	46,317.89	46,317.89
Coroner	25,293.59	25,293.59	17,742.52	17,200.69
Special Prosecuting Attorney	31,404.11	-	17,000.00	2,740.08
Special Law Enforcement	15,000.00	-	100,000.00	87,623.78
Jury	5,000.00	2,821.86	12,600.00	4,798.56
Other	405,170.77	405,467.45	356,694.00	436,988.47
Health and Welfare	48,359.30	48,359.30	48,359.30	48,359.30
Emergency Fund	-	-	-	-
Transfers Out	18,409.36	153,289.79	18,353.33	18,109.80
TOTAL DISBURSEMENTS	2,557,034.95	2,539,678.14	2,421,636.64	2,409,854.26
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,176.95	37,607.25	(51,016.76)	(71,298.26)
CASH AND INVESTMENT BALANCES, JANUARY 1	6,395.37	6,395.37	77,693.63	77,693.63
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 11,572.32	\$ 44,002.62	\$ 26,676.87	\$ 6,395.37

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

SPECIAL ROAD AND BRIDGE FUND				
	2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 157,000.00	\$ 156,564.07	\$ 136,000.00	\$ 153,430.72
Sales Taxes	494,000.00	494,509.23	450,000.00	482,559.56
Intergovernmental	1,162,000.00	1,163,728.58	1,093,920.82	619,553.98
Charges for Services	-	-	-	-
Interest	400.00	475.78	700.00	527.72
Other	5,000.00	5,590.55	6,500.00	68,027.21
Transfers In	237,150.00	237,226.84	105,000.00	165,360.84
TOTAL RECEIPTS	2,055,550.00	2,058,095.05	1,792,120.82	1,489,460.03
DISBURSEMENTS				
Salaries	360,000.00	354,920.05	431,900.00	393,117.76
Employee Fringe Benefits	93,349.60	92,511.50	104,400.00	98,405.92
Supplies	283,300.00	282,627.52	328,620.00	399,695.94
Insurance	47,412.62	47,412.62	35,000.00	10,451.98
Road and Bridge Materials	300,000.00	240,674.25	235,000.00	225,324.39
Equipment Purchases	8,511.00	8,511.00	30,000.00	25,980.18
Road and Bridge Construction	590,000.00	588,864.47	500,000.00	67,061.26
Other	105,885.08	105,885.24	99,326.96	73,420.25
Debt Service	51,600.00	51,593.54	-	-
Transfers Out	219,000.00	277,629.90	65,000.00	150,168.02
TOTAL DISBURSEMENTS	2,059,058.30	2,050,630.09	1,829,246.96	1,443,625.70
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,508.30)	7,464.96	(37,126.14)	45,834.33
CASH AND INVESTMENT BALANCES, JANUARY 1	83,659.43	83,659.43	37,825.10	37,825.10
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 80,151.13	\$ 91,124.39	\$ 698.96	\$ 83,659.43

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	ASSESSMENT FUND				PROSECUTING ATTORNEY TRAINING FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 146,500.00	\$143,067.82	\$ 157,743.32	\$167,042.25	\$ 600.00	\$ 563.73	\$ 900.00	\$ 644.11
Charges for Services	-	3,367.97	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	10,100.00	10,046.32	4,295.00	3,022.85	-	-	-	-
Transfers In	18,409.36	18,409.36	18,353.33	18,353.33	-	-	-	-
TOTAL RECEIPTS	175,009.36	174,891.47	180,391.65	188,418.43	600.00	563.73	900.00	644.11
DISBURSEMENTS								
Salaries	104,408.12	85,237.26	110,510.60	80,097.44	-	-	-	-
Office Expenses	14,000.00	11,495.67	10,450.00	11,384.81	-	-	-	-
Equipment	12,000.00	8,453.18	20,320.00	11,990.59	-	-	-	-
Mileage and Training	5,900.00	7,179.81	5,500.00	5,440.21	-	-	-	-
Telephone	2,000.00	1,821.68	1,700.00	1,830.71	-	-	-	-
Fringe Benefits	32,258.10	33,315.72	28,232.75	27,583.92	-	-	-	-
Mapping Contract	9,750.00	9,300.00	-	9,750.00	-	-	-	-
Software Purchases	1,200.00	1,090.00	-	9,269.80	-	-	-	-
Tuition	-	-	-	-	3,000.00	2,404.86	2,000.00	365.42
Other	-	-	-	-	-	-	-	-
Transfers Out	-	16,790.34	-	19,578.76	-	-	-	-
TOTAL DISBURSEMENTS	181,516.22	174,683.66	176,713.35	176,926.24	3,000.00	2,404.86	2,000.00	365.42
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,506.86)	207.81	3,678.30	11,492.19	(2,400.00)	(1,841.13)	(1,100.00)	278.69
CASH AND INVESTMENT BALANCES, JANUARY 1	24,893.05	24,893.05	13,400.86	13,400.86	3,123.42	3,123.42	2,844.73	2,844.73
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 18,386.19</u>	<u>\$ 25,100.86</u>	<u>\$ 17,079.16</u>	<u>\$ 24,893.05</u>	<u>\$ 723.42</u>	<u>\$ 1,282.29</u>	<u>\$ 1,744.73</u>	<u>\$ 3,123.42</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	LAW ENFORCEMENT TRAINING FUND				DOMESTIC VIOLENCE/SPECIAL TRUST FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 647.00	\$ 800.00	\$ 690.00
Charges for Services	-	-	-	-	-	-	-	-
Interest	2.00	2.96	-	1.74	-	1.32	2.00	2.83
Other	8,000.00	3,452.55	6,200.00	3,870.33	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	8,002.00	3,455.51	6,200.00	3,872.07	-	648.32	802.00	692.83
DISBURSEMENTS								
Sheriff's Association Dues	2,000.00	1,463.05	1,700.00	1,287.83	-	-	-	-
Training	2,300.00	1,825.00	1,800.00	624.00	-	-	-	-
Mileage	750.00	-	500.00	-	-	-	-	-
Meals	400.00	-	400.00	-	-	-	-	-
Lodging	3,000.00	850.00	2,500.00	1,998.17	-	-	-	-
Fuel	750.00	-	500.00	-	-	-	-	-
Shelters	-	-	-	-	-	-	1,483.89	1,374.72
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	9,200.00	4,138.05	7,400.00	3,910.00	-	-	1,483.89	1,374.72
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,198.00)	(682.54)	(1,200.00)	(37.93)	-	648.32	(681.89)	(681.89)
CASH AND INVESTMENT BALANCES, JANUARY 1	1,253.59	1,253.59	1,291.52	1,291.52	-	-	681.89	681.89
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 55.59	\$ 571.05	\$ 91.52	\$ 1,253.59	\$ -	\$ 648.32	\$ -	\$ -

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	DELINQUENT TAX FUND				INMATE SECURITY FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 4,700.00	\$ 3,739.00	\$ 3,500.00	\$ 4,528.00
Charges for Services	-	-	-	-	40,000.00	34,849.00	13,000.00	7,000.00
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	1,147.00	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	-	-	-	-	44,700.00	39,735.00	16,500.00	11,528.00
DISBURSEMENTS								
Office Supplies	1,657.01	-	-	-	-	-	-	-
Distributions	-	-	-	-	-	-	-	-
Sheriff Supplies	-	-	-	-	35,000.00	29,666.80	15,000.00	14,200.25
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	1,657.01	-	-	-	35,000.00	29,666.80	15,000.00	14,200.25
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,657.01)	-	-	-	9,700.00	10,068.20	1,500.00	(2,672.25)
CASH AND INVESTMENT BALANCES, JANUARY 1	1,657.01	1,657.01	1,657.01	1,657.01	3,091.94	3,091.94	5,764.19	5,764.19
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ -	\$ 1,657.01	\$ 1,657.01	\$ 1,657.01	\$ 12,791.94	\$ 13,160.14	\$ 7,264.19	\$ 3,091.94

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	LAW LIBRARY FUND				LANDFILL FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Interest	\$ -	\$ 1.73	\$ 2.00	\$ 0.80	\$ 200.00	\$ 168.94	\$ 200.00	\$ 166.60
Other	7,000.00	6,030.00	6,500.00	5,865.00	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	7,000.00	6,031.73	6,502.00	5,865.80	200.00	168.94	200.00	166.60
DISBURSEMENTS								
Updates	7,000.00	4,551.63	6,700.00	6,087.26	-	-	-	-
TOTAL DISBURSEMENTS	7,000.00	4,551.63	6,700.00	6,087.26	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	1,480.10	(198.00)	(221.46)	200.00	168.94	200.00	166.60
CASH AND INVESTMENT BALANCES, JANUARY 1	17.67	17.67	239.13	239.13	12,004.17	12,004.17	11,837.57	11,837.57
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 17.67</u>	<u>\$ 1,497.77</u>	<u>\$ 41.13</u>	<u>\$ 17.67</u>	<u>\$ 12,204.17</u>	<u>\$ 12,173.11</u>	<u>\$ 12,037.57</u>	<u>\$ 12,004.17</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	LAW ENFORCEMENT RESTITUTION FUND				RECORDERS' USER'S FEE FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 90,000.00	\$ 67,406.91	\$ 84,000.00	\$ 75,660.28	\$ -	\$ -	\$ -	\$ -
Charges For Services	-	-	-	-	11,000.00	10,905.25	11,900.00	10,734.09
Interest	75.00	44.42	25.00	40.04	50.00	67.45	27.00	49.41
Other	-	-	-	-	14,000.00	14,880.00	8,100.00	11,025.00
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	90,075.00	67,451.33	84,025.00	75,700.32	25,050.00	25,852.70	20,027.00	21,808.50
DISBURSEMENTS								
Supplies and Equipment	23,128.00	22,170.67	28,000.00	11,901.51	1,100.00	841.60	1,100.00	3,395.97
Computer Hardware and Support	-	-	-	-	10,000.00	9,986.80	6,000.00	8,155.36
Truck Loan Payment	-	3,277.32	-	-	-	-	-	-
Transfers Out	66,872.00	53,191.87	56,000.00	57,057.14	9,000.00	7,361.88	17,050.00	9,316.65
TOTAL DISBURSEMENTS	90,000.00	78,639.86	84,000.00	68,958.65	20,100.00	18,190.28	24,150.00	20,867.98
RECEIPTS OVER (UNDER) DISBURSEMENTS	75.00	(11,188.53)	25.00	6,741.67	4,950.00	7,662.42	(4,123.00)	940.52
CASH AND INVESTMENT BALANCES, JANUARY 1	14,936.82	14,936.82	8,195.15	8,195.15	15,269.64	15,269.64	14,329.12	14,329.12
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 15,011.82</u>	<u>\$ 3,748.29</u>	<u>\$ 8,220.15</u>	<u>\$ 14,936.82</u>	<u>\$ 20,219.64</u>	<u>\$ 22,932.06</u>	<u>\$ 10,206.12</u>	<u>\$ 15,269.64</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	SHERIFF'S CIVIL FUND				SHERIFF'S REVOLVING FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	9.75	1.00	6.44	-	36.81	14.67	22.25
Other	23,000.00	18,741.98	20,000.00	22,148.24	21,000.00	18,580.80	15,000.00	9,410.75
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	23,000.00	18,751.73	20,001.00	22,154.68	21,000.00	18,617.61	15,014.67	9,433.00
DISBURSEMENTS								
Sheriff Expenditures	22,000.00	15,199.22	20,000.00	20,128.21	-	-	-	-
Supplies	-	-	-	-	15,000.00	12,743.42	11,000.00	11,118.68
Transfers Out	-	2,095.64	-	39.20	-	-	-	-
TOTAL DISBURSEMENTS	22,000.00	17,294.86	20,000.00	20,167.41	15,000.00	12,743.42	11,000.00	11,118.68
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000.00	1,456.87	1.00	1,987.27	6,000.00	5,874.19	4,014.67	(1,685.68)
CASH AND INVESTMENT BALANCES, JANUARY 1	2,366.31	2,366.31	379.04	379.04	6,512.74	6,512.74	8,198.42	8,198.42
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 3,366.31</u>	<u>\$ 3,823.18</u>	<u>\$ 380.04</u>	<u>\$ 2,366.31</u>	<u>\$ 12,512.74</u>	<u>\$ 12,386.93</u>	<u>\$ 12,213.09</u>	<u>\$ 6,512.74</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	SPECIAL CHECK FUND				SPECIAL LAW ENFORCEMENT FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 13,000.00	\$ 9,499.82	\$ 11,000.00	\$ 12,788.06	\$ -	\$ -	\$ -	\$ -
Charges For Services	-	-	-	-	-	-	-	-
Interest	50.00	100.00	100.00	105.72	-	36.26	100.00	28.50
Other	-	-	-	-	45,000.00	44,485.06	135,000.00	111,786.90
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	13,050.00	9,599.82	11,100.00	12,893.78	45,000.00	44,521.32	135,100.00	111,815.40
DISBURSEMENTS								
State	2,500.00	1,060.00	2,500.00	1,790.00	-	-	-	-
Postage and Printing	400.00	147.00	300.00	352.00	-	-	-	-
Bad Check Reimbursements	-	1,834.82	-	-	-	-	-	-
Law Enforcement Purposes	-	-	-	-	30,000.00	18,758.39	60,000.00	28,147.91
Other	-	1,000.00	-	-	-	-	-	-
Transfers Out	31,404.11	19,291.41	17,000.00	4,547.61	15,000.00	15,700.09	100,000.00	109,249.28
TOTAL DISBURSEMENTS	34,304.11	23,333.23	19,800.00	6,689.61	45,000.00	34,458.48	160,000.00	137,397.19
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,254.11)	(13,733.41)	(8,700.00)	6,204.17	-	10,062.84	(24,900.00)	(25,581.79)
CASH AND INVESTMENT BALANCES, JANUARY 1	35,580.16	35,580.16	29,375.99	29,375.99	430.58	430.58	26,012.37	26,012.37
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 14,326.05</u>	<u>\$ 21,846.75</u>	<u>\$ 20,675.99</u>	<u>\$ 35,580.16</u>	<u>\$ 430.58</u>	<u>\$ 10,493.42</u>	<u>\$ 1,112.37</u>	<u>\$ 430.58</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	ELECTION SERVICES FUND				TAX MAINTENANCE FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges For Services	1,040.50	1,040.50	1,200.00	941.10	-	-	-	-
Interest	16.90	18.43	20.00	19.33	4.00	4.89	3.50	4.33
Other	-	-	-	0.42	18,350.00	17,225.82	17,770.00	17,861.75
Transfers In	1,482.37	1,482.37	5,700.00	3,954.01	-	-	-	-
TOTAL RECEIPTS	2,539.77	2,541.30	6,920.00	4,914.86	18,354.00	17,230.71	17,773.50	17,866.08
DISBURSEMENTS								
Election Expenses	275.49	1,275.49	6,000.00	6,247.31	-	-	-	-
Office Expenses	-	-	-	-	7,598.71	4,327.60	6,762.84	7,957.71
Mileage and Training	-	-	-	-	1,400.00	3,290.94	1,300.00	1,437.92
Other	-	-	-	-	-	-	-	-
Transfers Out	1,000.00	-	500.00	-	9,784.91	9,186.67	9,864.75	8,194.92
TOTAL DISBURSEMENTS	1,275.49	1,275.49	6,500.00	6,247.31	18,783.62	16,805.21	17,927.59	17,590.55
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,264.28	1,265.81	420.00	(1,332.45)	(429.62)	425.50	(154.09)	275.53
CASH AND INVESTMENT BALANCES, JANUARY 1	17,371.32	17,371.32	18,703.77	18,703.77	429.62	429.62	154.09	154.09
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 18,635.60	\$ 18,637.13	\$ 19,123.77	\$ 17,371.32	\$ -	\$ 855.12	\$ -	\$ 429.62

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	DWI FUND				TITLE III FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	31,151.09	48,000.00	33,108.75
Charges For Services	3,000.00	-	-	-	-	-	-	-
Interest	5.00	1.40	-	1.19	-	-	-	-
Other	300.00	-	3,000.00	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	3,305.00	1.40	3,000.00	1.19	-	31,151.09	48,000.00	33,108.75
DISBURSEMENTS								
Miscellaneous	2,000.00	-	3,000.00	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	48,000.00	-
TOTAL DISBURSEMENTS	2,000.00	-	3,000.00	-	-	-	48,000.00	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,305.00	1.40	-	1.19	-	31,151.09	-	33,108.75
CASH AND INVESTMENT BALANCES, JANUARY 1	379.94	379.94	378.75	378.75	33,108.75	33,108.75	-	-
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 1,684.94	\$ 381.34	\$ 378.75	\$ 379.94	\$ 33,108.75	\$ 64,259.84	\$ -	\$ 33,108.75

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	SENATE BILL 40 FUND				WAYNE COUNTY IMPROVEMENT CORP. FUND			
	2015		2014		2015		2014	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ 111,000.00	\$ 113,071.64	\$ 100,000.00	\$ 110,884.08	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	48,359.30	48,359.30	48,359.00	48,359.30
Charges For Services	-	-	-	-	-	-	-	-
Interest	110.00	99.96	100.00	108.79	300.00	202.18	305.00	205.31
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	111,110.00	113,171.60	100,100.00	110,992.87	48,659.30	48,561.48	48,664.00	48,564.61
DISBURSEMENTS								
Senate Bill 40	96,802.00	82,449.24	97,342.00	105,627.84	-	-	-	-
Wayne County Improvement Corp	-	-	-	-	43,963.00	43,994.00	44,463.00	43,963.00
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	96,802.00	82,449.24	97,342.00	105,627.84	43,963.00	43,994.00	44,463.00	43,963.00
RECEIPTS OVER (UNDER) DISBURSEMENTS	14,308.00	30,722.36	2,758.00	5,365.03	4,696.30	4,567.48	4,201.00	4,601.61
CASH AND INVESTMENT BALANCES, JANUARY 1	195,748.36	195,748.36	190,383.33	190,383.33	26,691.60	26,691.60	22,089.99	22,089.99
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 210,056.36</u>	<u>\$ 226,470.72</u>	<u>\$ 193,141.33</u>	<u>\$ 195,748.36</u>	<u>\$ 31,387.90</u>	<u>\$ 31,259.08</u>	<u>\$ 26,290.99</u>	<u>\$ 26,691.60</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS -
AGENCY FUNDS - REGULATORY BASIS
AS OF DECEMBER 31, 2015

	County Capital	Flood Control	Forrest Reserve	Collector Online Payment	Deputy Salary Supplement	SEMA Flood Buyout
ASSETS						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 20.00	\$ -	\$ -
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	-	-	-	20.00	-	-
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	-	-	-	20.00	-	-
UNRESERVED FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20.00</u>	<u>\$ -</u>	<u>\$ -</u>

	CDBG Flood Buyout	Surplus Tax	Cerf	Recorder of Deeds	Commissary	Drug Court
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 36,168.35	\$ -	\$ 6,839.50	\$ 17,055.60	\$ 39,679.70
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	-	36,168.35	-	6,839.50	17,055.60	39,679.70
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	-	36,168.35	-	6,839.50	17,055.60	39,679.70
UNRESERVED FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 36,168.35</u>	<u>\$ -</u>	<u>\$ 6,839.50</u>	<u>\$ 17,055.60</u>	<u>\$ 39,679.70</u>

	Collector	Special Election	Sheriff's Special	Sheriff's Seizure	Financial Institution Tax	Unclaimed Fees Fund
ASSETS						
Cash and Cash Equivalents	\$ 4,095,039.82	\$ -	\$ 14,004.08	\$ 7,411.46	\$ 94.52	\$ 165.64
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	4,095,039.82	-	14,004.08	7,411.46	94.52	165.64
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	4,095,039.82	-	14,004.08	7,411.46	94.52	165.64
UNRESERVED FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,095,039.82</u>	<u>\$ -</u>	<u>\$ 14,004.08</u>	<u>\$ 7,411.46</u>	<u>\$ 94.52</u>	<u>\$ 165.64</u>

	Sheriff's Agency Fund	Total Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 3,526.85	\$ 4,220,005.52
Investments		
Other Investments	-	-
Total Investments	-	-
Total Assets	3,526.85	4,220,005.52
LIABILITIES AND FUND BALANCES		
TOTAL LIABILITIES	3,526.85	4,220,005.52
UNRESERVED FUND BALANCES	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,526.85</u>	<u>\$ 4,220,005.52</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS -
AGENCY FUNDS - REGULATORY BASIS
AS OF DECEMBER 31, 2014

	County Capital	Flood Control	Forrest Reserve	Collector Online Payment	Deputy Salary Supplement	SEMA Flood Buyout
ASSETS						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 261.68	\$ -	\$ -
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	-	-	-	261.68	-	-
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	-	-	-	261.68	-	-
UNRESERVED FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ 261.68	\$ -	\$ -

	CDBG Flood Buyout	Surplus Tax	Cerf	Recorder of Deeds	Commissary	Drug Court
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 30,420.59	\$ 6,094.23	\$ 7,077.45	\$ 29,235.71	\$ 41,249.78
Investments						
Other Investments	-	23,592.25	-	-	-	-
Total Investments	-	23,592.25	-	-	-	-
Total Assets	-	54,012.84	6,094.23	7,077.45	29,235.71	41,249.78
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	-	54,012.84	6,094.23	7,077.45	29,235.71	41,249.78
UNRESERVED FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 54,012.84	\$ 6,094.23	\$ 7,077.45	\$ 29,235.71	\$ 41,249.78

	Collector	Special Election	Sheriff's Special	Sheriff's Seizure	Financial Institution Tax	Unclaimed Fees Fund
ASSETS						
Cash and Cash Equivalents	\$ 4,178,033.70	\$ -	\$ 11,102.92	\$ 6,227.50	\$ 504.48	\$ -
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	4,178,033.70	-	11,102.92	6,227.50	504.48	-
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	4,178,033.70	-	11,102.92	6,227.50	504.48	-
UNRESERVED FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,178,033.70	\$ -	\$ 11,102.92	\$ 6,227.50	\$ 504.48	\$ -

	Sheriff's Agency Fund	Total Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 2,551.90	\$ 4,312,759.94
Investments		
Other Investments	-	23,592.25
Total Investments	-	23,592.25
Total Assets	2,551.90	4,336,352.19
LIABILITIES AND FUND BALANCES		
TOTAL LIABILITIES	2,551.90	4,336,352.19
UNRESERVED FUND BALANCES	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,551.90	\$ 4,336,352.19

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Wayne, Missouri (“County”), which is governed by a three-member board of commissioners, was established in 1818 by an Act of the Missouri Territory. In addition to the three Commissioners, there are ten elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of the County.

The County’s operations include tax assessments and collections, state/county courts, county recorder, public safety, transportation, economic development, and social and recreation services.

The financial statements referred to above include only the primary government of the County of Wayne, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County’s legal entity.

B. Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by Missouri law, which include a Statement of Receipts, Disbursements and Changes in Cash and Investment Balances – All Governmental Funds, a Comparative Statement of Receipts, Disbursements and Changes in Cash and Investment Balances – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County’s expendable financial resources are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other officeholders.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The financial statements are prepared on the regulatory basis of accounting. This basis of accounting recognizes amounts when received or disbursed in cash and differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

As a result of using this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
7. Budgets are prepared and adopted on the cash basis of accounting.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2015 and 2014, for purposes of taxation, was:

	<u>2015</u>	<u>2014</u>
Real Estate	\$ 84,910,660	\$ 83,203,010
Personal Property	32,905,751	34,130,283
Railroad and Utilities	<u>16,975,773</u>	<u>16,509,319</u>
	<u>\$ 134,792,184</u>	<u>\$ 133,842,612</u>

During 2015 and 2014, the County Commission approved a \$.1900 and \$.1900, respectively, tax levy per \$100 of assessed valuation of tangible taxable property, for purposes of County taxation, as follows:

	<u>2015</u>	<u>2014</u>
General Revenue Fund	\$ 0.0000	\$ 0.0000
Special Road and Bridge Fund	0.1100	0.1100
Senate Bill 40	<u>0.0800</u>	<u>0.0800</u>
	<u>\$ 0.1900</u>	<u>\$ 0.1900</u>

F. Cash and Investments

The County pools cash and investment resources of various funds in the County Treasurer's office in order to facilitate the management of cash and investments. Cash and investments applicable to a particular fund are readily identifiable. Some County offices also hold cash and investments in their own separate bank accounts as required by state statute. The balance in the pooled cash account is available to meet current operating requirements.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are eliminated due to reporting the financial statements on the regulatory basis of accounting.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

II. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed as "Cash and Investments" under each fund's caption. Deposits with maturities greater than three months are considered investments. In addition, cash and investments are separately held by several of the County's funds. Investments of the County consist of certificates of deposit with local banking institutions.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015, and 2014, the carrying amounts of the County's deposits were \$608,311.42 and \$484,921.49, and the bank balances were \$3,573,367.53 and \$2,348,243.22, respectively. The total bank balances as of December 31, 2015, and 2014 were insured through the Federal Deposit Insurance Corporation and securities set by the County's financial institutions.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2015, as follows:

Included in the following fund financial statement captions:

Statement of Receipts, Disbursements and Changes in
Cash and Investment Balances -

Deposits	\$ 414,709.12
Investments	<u>193,602.30</u>
Total Governmental Funds	608,311.42

Statement of Assets and Liabilities Arising From Cash
Transactions – Agency Funds:

Deposits	4,220,005.52
Investments	<u>-</u>
Total Agency Funds	4,220,005.52

Total Deposits and Investments as of December 31, 2015	<u><u>\$ 4,828,316.94</u></u>
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THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

II. CASH AND INVESTMENTS (concluded)

The carrying values of deposits and investments at December 31, 2014, are as follows:

Included in the following fund financial statement captions:

Statement of Receipts, Disbursements and Changes in
Cash and Investment Balances -

Deposits	\$ 305,053.52
Investments	<u>179,867.97</u>
Total Governmental Funds	484,921.49

Statement of Assets and Liabilities Arising From Cash
Transactions – Agency Funds:

Deposits	4,312,759.94
Investments	<u>23,592.25</u>
Total Agency Funds	4,336,352.19

Total Deposits and Investments as of December 31, 2014	\$ <u>4,821,273.68</u>
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Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the years ended December 31, 2015, and 2014.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of the County or of a type not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of investment credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's investments were not exposed to concentration of investment credit risk for the years ended December 31, 2015, and 2014.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

III. LONG-TERM DEBT

The Wayne County Commission entered into a lease agreement on May 20, 2008, with Wayne County Improvement Corporation, a non-profit 501 (c) (3) Missouri Corporation, for the purpose of leasing the Justice Center to Wayne County, Missouri. The Corporation is treated as a publicly supported organization, and not as a private foundation.

The term of the lease is for 30 years with an annual lease of \$48,500 due starting May 1, 2009. The lease provides for cost increases when necessary.

The Board is composed of six directors, three who are commissioners of Wayne County, Missouri, and three members at large, which are appointed by the commissioners. Due to the accountability to Wayne County Commission, it is believed that the Wayne County Improvement Corp would be a component unit of Wayne County, Missouri.

The Wayne County Improvement Corp has secured financing for the construction of the Justice Center through loans with the United States Department of Agriculture-Rural Development. The Corporation received loan advances of \$521,200 during 2008, with the remaining \$194,800 authorized loans received during 2009. An analysis of the notes payable is as follows:

USDA-RD loan, dated May 20, 2008, authorized amount is \$696,000, interest rate at 4.5%. Note is secured with real estate and a pledge of the lease revenues of the property. Annual payments of \$42,735 including principal and interest are required. The balance was \$583,868.43 as of December 31, 2015, and \$599,691.26 as December 31, 2014.

USDA-RD loan, dated May 20, 2009, authorized amount is \$20,000, interest at 4.5%. Note is secured with real estate and a pledge of the lease revenues of the property. Annual payments of \$1,228 including principal and interest are required. The balance was \$17,542.41 as of December 31, 2015, and \$17,964.23 as December 31, 2014.

USDA-RD Loans	Balance 12/31/14	Additions	Payments	Balance 12/31/15	Interest Paid
May 20, 2008	\$ 599,691.26	-	\$15,822.83	\$ 583,868.43	\$ 26,912.17
May 20, 2009	17,964.23	-	421.82	17,542.41	806.18
	<u>\$ 617,655.49</u>	<u>-</u>	<u>\$16,244.65</u>	<u>\$ 601,410.84</u>	<u>\$ 27,718.35</u>

As of December 31, 2015, the schedule of future payments of USDA Loans payable of the County is as follows:

Year Ending December 31,	Interest	Principal	Total
2016	\$ 27,628.71	\$ 16,334.29	\$ 43,963.00
2017	26,878.31	17,084.69	43,963.00
2018	26,093.45	17,869.55	43,963.00
2019	25,272.53	18,690.47	43,963.00
2020	24,413.89	19,549.11	43,963.00
2021-2025	107,744.08	112,070.92	219,815.00
2026-2030	79,525.09	140,289.91	219,815.00
2031-2035	44,200.68	175,614.32	219,815.00
2036-2038	4,092.74	83,907.58	88,000.32
	<u>\$ 365,849.48</u>	<u>\$ 601,410.84</u>	<u>\$ 967,260.32</u>

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

III. LONG-TERM DEBT (continued)

USDA-RD Loans	Balance 12/31/13	Additions	Payments	Balance 12/31/14	Interest Paid
May 20, 2008	\$ 615,270.09	-	\$15,578.83	\$ 599,691.26	\$ 27,156.17
May 20, 2009	18,380.95	-	416.72	17,964.23	811.28
	<u>\$ 633,651.04</u>	<u>-</u>	<u>\$15,995.55</u>	<u>\$ 617,655.49</u>	<u>\$ 27,967.45</u>

As of December 31, 2014, the schedule of future payments of USDA Loans of the County is as follows:

Year Ending December 31,	Interest	Principal	Total
2015	\$ 27,718.35	\$ 16,244.65	\$ 43,963.00
2016	27,628.71	16,334.29	43,963.00
2017	26,878.31	17,084.69	43,963.00
2018	26,093.45	17,869.55	43,963.00
2019	25,272.53	18,690.47	43,963.00
2020-2024	112,666.47	107,148.53	219,815.00
2025-2029	85,686.91	134,128.09	219,815.00
2030-2034	51,914.02	167,900.98	219,815.00
2035-2038	9,709.08	122,254.24	131,963.32
	<u>\$ 393,567.83</u>	<u>\$ 617,655.49</u>	<u>\$ 1,011,223.32</u>

The County entered into Lines of Credit (LOC's) with First Midwest Bank in 2011, 2013 and 2014. During 2015, the County took an advance of \$196,840.00 and \$249,052.38 in 2014.

	12/31/2014	Additions	Payments	12/31/2015	Interest Paid
LOC - 2011	\$ -	\$ 108,000.00	\$ 108,000.00	\$ -	\$ 807.77
LOC - 2013	194,240.62	88,840.00	111,369.13	171,711.49	6,423.55
LOC - 2014	50,530.51	-	50,530.51	-	1,063.03
	<u>\$ 244,771.13</u>	<u>\$ 196,840.00</u>	<u>\$ 269,899.64</u>	<u>\$ 171,711.49</u>	<u>\$ 8,294.35</u>

	12/31/2013	Additions	Payments	12/31/2014	Interest Paid
LOC - 2011	\$ -	\$ 50,000.00	\$ 50,000.00	\$ -	\$ 97.77
LOC - 2013	173,141.50	141,552.38	120,453.26	194,240.62	6,142.76
LOC - 2014	-	57,500.00	6,969.49	50,530.51	486.50
	<u>\$ 173,141.50</u>	<u>\$ 249,052.38</u>	<u>\$ 177,422.75</u>	<u>\$ 244,771.13</u>	<u>\$ 6,727.03</u>

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

III. LONG-TERM DEBT (concluded)

The County entered into a loan agreement with First Midwest Bank on July 7, 2015, for the purpose of purchasing a truck for the County.

	<u>12/31/2014</u>	<u>Additions</u>	<u>Payments</u>	<u>12/31/2015</u>	<u>Interest Paid</u>
Loan	\$ -	\$ 12,513.50	\$ 3,043.96	\$ 9,469.54	\$ 233.36
	<u>\$ -</u>	<u>\$ 12,513.50</u>	<u>\$ 3,043.96</u>	<u>\$ 9,469.54</u>	<u>\$ 233.36</u>

As of December 31, 2015, the schedule of future payments of notes payable of the County is as follows:

<u>Year Ending December 31,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2016	\$ 317.18	\$ 6,237.46	\$ 6,554.64
2017	45.24	3,232.08	3,277.32
	<u>\$ 362.42</u>	<u>\$ 9,469.54</u>	<u>\$ 9,831.96</u>

IV. CAPITAL LEASES

In June of 2009, a capital lease of \$93,890 was obtained for a 2009 Caterpillar Wheel Loader. The lease matures June 25, 2014, and the interest rate is 3.45%.

In 2010, a capital lease of \$62,374 was obtained for a Caterpillar 924H Wheel Loader. The lease matures September 15, 2015, and the interest rate is 3.45%.

In 2011, a capital lease of \$170,010 was obtained for two John Deere Tractors. The lease matures April 19, 2016, and the interest rate is 4.50%.

In 2012, a capital lease of \$1,999 was obtained for a Canon Copier. The lease matures October 10, 2016, and the interest rate is 3.25%.

In 2013, a capital lease of \$121,886 was obtained for a Caterpillar 120M2 Motor Grader. The lease matures December 30, 2018, and the interest rate is 2.14%.

In 2014, a capital lease of \$129,312 was obtained for a John Deere 670G Motor Grader. The lease matures April 15, 2019, and the interest rate is 1.90%.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

IV. CAPITAL LEASES (concluded)

Capital Leases	Balance 12/31/14	Additions	Payments	Balance 12/31/15	Interest Paid
2010 Caterpillar 924H	\$ 13,348.78	\$ -	\$13,348.78	\$ -	\$ 467.89
2011 John Deere Tractors	72,528.44	-	35,468.47	37,059.97	3,263.79
2012 Canon Copier	948.51	-	510.37	438.14	23.27
2013 Caterpillar 120M2	98,539.92	-	23,850.62	74,689.30	2,129.56
2014 John Deere 670G	129,312.00	-	24,897.43	104,414.57	2,458.73
	<u>\$314,677.65</u>	<u>\$ -</u>	<u>\$98,075.67</u>	<u>\$ 216,601.98</u>	<u>\$ 8,343.24</u>

As of December 31, 2015, the schedule of future payments for the capital leases of the County is as follows:

Year Ending December 31,	Interest	Principal	Total
2016	\$ 5,278.27	\$ 87,235.00	\$ 92,513.27
2017	2,590.47	50,745.87	53,336.34
2018	1,560.94	51,775.40	53,336.34
2019	510.45	26,845.71	27,356.16
	<u>\$ 9,940.13</u>	<u>\$ 216,601.98</u>	<u>\$ 226,542.11</u>

Capital Leases	Balance 12/31/13	Additions	Payments	Balance 12/31/14	Interest Paid
2009 Caterpillar 924Hz	\$ 20,093.58	\$ -	\$ 20,093.58	\$ -	\$ 704.30
2010 Caterpillar 924H	26,245.52	-	12,896.74	13,348.78	919.93
2011 John Deere Tractors	106,469.57	-	34,941.13	72,528.44	4,791.10
2012 Canon Copier	1,442.55	-	494.04	948.51	39.60
2013 Caterpillar 120M2	121,886.00	-	23,346.08	98,539.92	2,634.10
2014 John Deere 670G	-	129,312.00	-	129,312.00	-
	<u>\$276,137.22</u>	<u>\$ 129,312.00</u>	<u>\$ 90,771.57</u>	<u>\$ 314,677.65</u>	<u>\$ 9,089.03</u>

As of December 31, 2014, the schedule of future payments for the capital leases of the County is as follows:

Year Ending December 31,	Interest	Principal	Total
2015	\$ 8,343.24	\$ 98,075.67	\$ 106,418.91
2016	5,278.27	87,235.00	92,513.27
2017	2,590.47	50,745.87	53,336.34
2018	1,560.94	51,775.40	53,336.34
2019	510.45	26,845.71	27,356.16
	<u>\$ 18,283.37</u>	<u>\$ 314,677.65</u>	<u>\$ 332,961.02</u>

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

V. INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2015, and 2014 are as follows:

	2015		2014	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Revenue Fund	\$ 297,419.02	\$ 153,289.79	\$ 188,593.20	\$ 18,109.80
Special Road and Bridge Fund	237,226.84	277,629.90	165,360.84	150,168.02
Assessment Fund	18,409.36	16,790.34	18,353.33	19,578.76
Law Enforcement Restitution Fund	-	53,191.87	-	57,057.14
Recorders' User's Fee Fund	-	7,361.88	-	9,316.65
Sheriff's Civil Fund	-	2,095.64	-	39.20
Special Check Fund	-	19,291.41	-	4,547.61
Special Law Enforcement Fund	-	15,700.09	-	109,249.28
Election Services Fund	1,482.37	-	3,954.01	-
Tax Maintenance Fund	-	9,186.67	-	8,194.92
TOTAL	\$ 554,537.59	\$ 554,537.59	\$ 376,261.38	\$ 376,261.38

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Revenue Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VI. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

A. Plan Description

CERF was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in CERF, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

CERF is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

VI. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

A. Plan Description (concluded)

courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000, could opt out of the system.

CERF is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-573-632-9203.

B. Contributions

Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, participating county employees hired on or after February 25, 2002, are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature. Counties may elect to make all or a portion of the required 4% contribution on behalf of employees. Total contributions remitted to CERF for the years ended December 31, 2015, and 2014 were \$147,078.61 and \$136,093.73, respectively.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

VII. POST-EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County. The County had no COBRA participants at December 31, 2015, and one at December 31, 2014 paying premiums of \$3,355.80.

VIII. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2015, and 2014.

IX. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is involved in a potential legal claim as of the audit date. No provision has been made in the financial statements for any loss that might arise in the event of an unfavorable outcome of these matters. County management believes that such litigation and claims will ultimately be resolved without material financial liability, if any, to the County.

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. Sick time is accrued at ½ day for each full month employed, which may accumulate up to 30 days. An employee is not reimbursed for unused sick time upon termination of employment. Employees are entitled up to three days leave for a death in the immediate family. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as inappropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

X. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. Insurance is obtained from commercial insurance companies. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.700 RSMo). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

XI. SUBSEQUENT EVENTS

The County purchased two motor graders. Final details regarding the financing and dollar amounts borrowed have not been determined at this time but will be once the motor graders have been delivered.

XII. CHANGE IN FUND PRESENTATION

The Financial Institutions Tax Fund and Unclaimed Fees Fund were deemed to be agency funds and were taken out of the special revenue funds. The Inmate Security Fund was added to the special revenue funds from the agency funds. These adjustments were made in order to show proper financial statements based on the nature of the funds.

SUPPLEMENTARY SCHEDULES AND AUDITOR'S REPORT

STATE COMPLIANCE SECTION

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
SCHEDULE OF STATE FINDINGS
YEARS ENDED DECEMBER 31, 2015 AND 2014

SCHEDULE OF STATE FINDINGS

- A. For the year ended December 31, 2014, the actual expenses exceed those budgeted in the following funds: Assessment Fund, Sheriff's Civil Fund, Sheriff's Revolving Fund, and Senate Bill 40 Board Fund.
- B. For the year ended December 31, 2015, the actual expenses exceed those budgeted in the Wayne County Improvement Corp Fund.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the County Commission
The County of Wayne, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the County of Wayne ("County") as of and for the years ended December 31, 2015, and 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [FS 2015-001 and FS 2015-002]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

June 24, 2016



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

To The County Commission
The County of Wayne, Missouri

Report on Compliance for Each Major Federal Program

We have audited the County of Wayne's ("County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the years ended December 31, 2015, and 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on School and Roads – Grants to States

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
SA 2015-001	10.665	School and Roads – Grants to States	Activities Allowed and Disallowed

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 10.665 School and Roads – Grants to States as described in finding SA 2015-001 for activities allowed and disallowed. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on School and Roads – Grants to States

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on School and Roads – Grants to States for the years ended December 31, 2015, and 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the years ended December 31, 2015, and 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item SA 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as SA 2015-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

June 24, 2016

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2015	FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2014
US DEPARTMENT OF AGRICULTURE				
Passed Through State:				
Office of Administration:				
School and Roads - Grants to States	10.665	N/A	\$ 359,406.00	\$ 318,392.00
Direct Program:				
Community Facilities Loan & Grants	10.766	N/A	-	5,050.00
Total US Department of Agriculture			359,406.00	323,442.00
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through State:				
Department of Economic Development:				
Community Development Block Grant	14.228	2008-PF-947	-	43,679.75
		2008-EM-02	-	154.00
		2011-EM-23	-	17,477.32
Total US Department of Housing and Urban Development			-	61,311.07
DEPARTMENT OF INTERIOR				
Direct Program:				
PILT - Payment in Lieu of Taxes	15.226	N/A	228,849.00	212,014.00
National Wildlife Refuge Fund	15.659	N/A	11,974.00	-
Total US Department of Interior			240,823.00	212,014.00
US DEPARTMENT OF JUSTICE				
Passed Through State:				
State Department of Public Safety				
Crime Victim Assistance	16.575	2011-VOCA-085-SE	15,392.00	15,392.00
Edward Byrne Memorial JAG Program	16.738	2011-LLEBG-105	-	-
		2014-LLEBG-107	9,985.50	8,981.69
Total US Department of Justice			25,377.50	24,373.69
DEPARTMENT OF TRANSPORTATION				
Passed Through State:				
Highway and Transportation Commission				
Highway Planning and Construction	20.205	BRO-111(9)	471,091.58	53,649.02
Missouri Department of Public Safety			-	-
Hazardous Moving Vehicle Enforcement	20.600	14-PT-02-119	-	4,615.73
		15-PT-02-138	3,193.15	1,354.53
		16-PT-02-130	1,525.77	-
Total US Department of Transportation			475,810.50	59,619.28
ELECTION ASSISTANCE COMMISSION				
Passed Through State:				
Office of Secretary of State				
Help America Vote Act Requirements Payments	90.401	N/A	-	1,666.00
Total Election Assistance Commission			-	1,666.00
US DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through State:				
Office of Secretary of State				
HHS Polling Place Accessibility	93.617	N/A	1,526.00	3,200.00
Total US Department of Health and Human Services			1,526.00	3,200.00
US DEPARTMENT OF HOMELAND SECURITY				
Passed Through State:				
State Emergency Management Agency				
Presidentially Declared Disasters	97.036	1980-DR-MO	-	69,747.39
MO Dept. of Public Safety				
Hazard Mitigation Program	97.039	FEMA #1749-DR, Proj. #009, Phase II	-	10,527.75
Total US Department of Homeland Security			-	80,275.14
Total Expenditures of Federal Awards			\$ 1,102,943.00	\$ 765,901.18

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – BASIS OF PRESENTATION

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each major program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Wayne County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

NOTE 2 – SUB-RECIPIENTS

The County provided federal awards to sub-recipients during the years ended December 31, 2015, and 2014. The sub-recipients are as follows:

<u>Program Title</u>	<u>Sub-Recipient</u>	<u>Federal CFDA Number</u>		<u>Amount Provided to Sub-Recipient</u>
School and Roads to States	Clearwater R-I School	10.665	2015	\$ 123,016.54
			2014	119,318.03
School and Roads to States	Greenville R-II School	10.665	2015	123,016.54
			2014	119,318.04
School and Roads to States	East Carter Co R-II	10.665	2015	158.20
			2014	158.20
Total Provided to Sub-Recipients				<u>\$ 484,985.55</u>

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unmodified – Regulatory Basis
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? 2015 ☐ Yes ☒ No
2014 ☐ Yes ☒ No
 - b. Significant deficiency(ies) identified? 2015 ☒ Yes ☐ None Reported
2014 ☒ Yes ☐ None Reported
3. Noncompliance material to financial statements noted? 2015 ☐ Yes ☒ No
2014 ☐ Yes ☒ No

B. Federal Awards

1. Internal control over major federal programs:
 - a. Material weakness(es) identified? 2015 ☒ Yes ☐ No
2014 ☒ Yes ☐ No
 - b. Significant deficiency(ies) identified? 2015 ☐ Yes ☒ None Reported
2014 ☐ Yes ☒ None Reported
2. Type of auditor's report issued on compliance for major federal programs: 2015 - Qualified
2014 - Qualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of *Circular A-133*? 2015 ☒ Yes ☐ No
2014 ☒ Yes ☐ No

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

II. FINANCIAL STATEMENT FINDINGS (concluded)

FS 2015-002 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place for the Recorder of Deeds, Prosecuting Attorney and Sheriff's offices.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Recorder of Deeds, Prosecuting Attorney and Sheriff's offices address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: The Recorder of Deeds, Prosecuting Attorney and Sheriff's offices are in the process of documenting internal controls in the County Recorder's (Cindy Stout 573-224-5600, ext. 7), Prosecuting Attorney's (Michael Jackson 573-224-5600 ext. 2), and Sheriff's (Dean Finch 573-224-3090) offices.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015, AND 2014

The following findings, recommendations, and questioned costs are the results of the single audit of Wayne County, Missouri for the fiscal years ended December 31, 2015, and 2014. Each finding is referenced with a four-digit number representing the fiscal years audited, an "SA" to indicate that it is a single audit finding, and a sequential number. The findings are presented by federal program and are classified according to federal and state department, type of compliance requirement, category of internal control weakness, and category of noncompliance.

A. Category of Internal Control Weakness

If the finding represents a weakness in internal control, one of the following designations will appear:

1. Significant Deficiency: A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
2. Material Weakness: A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

B. Category of Noncompliance Findings

If the finding represents an instance of noncompliance, one of the following designations will appear:

1. Material Noncompliance: A material noncompliance finding is a finding related to a major federal program which discusses conditions representing noncompliance with federal laws, regulations, contracts, or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in OMB Circular A-133 *Compliance Supplement*.
2. Questioned Cost Finding: A questioned cost finding is a finding which discusses known or likely questioned costs that are greater than \$10,000 for a type of compliance requirement, unless the conditions giving rise to the questioned costs are otherwise reported as a material noncompliance finding.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015, AND 2014 (concluded)

C. Federal Award Findings and Questioned Costs

SA 2015-001	Federal Grantor:	U.S. Department of Agriculture
	Pass-Through	Office of Administration National Forest
Activities Allowed and Disallowed	Grantor:	Receipts
	Federal CFDA	
Material Weakness	Number:	10.665
	Program Title:	School and Roads – Grants to States

Information on the federal program: CFDA #10.665, School and Road Grants to States was not being tracked within the Special Road and Bridge Fund.

Criteria: OMB Circular A-133 requires the auditee maintain all backup information for all federal expenditures.

Condition: Funding from the School and Roads – Grants to States grant was not being tracked in order to perform tests of activities allowed and disallowed.

Questioned Costs: Not applicable

Context: During the audit of federal programs, we discovered we were not able to track allowable and disallowable expenditures for School and Roads – Grants to States.

Effect: No control monitoring or control over federal expenditures reporting, as required by *Governmental Accounting and Financial Reporting Standards*.

Cause: Adequate emphasis was not placed on the tracking of federal expenditures.

Recommendation: The County should implement procedures to ensure that the School and Roads – Grants to States is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required for the School and Roads – Grants to States grant. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's office.

Views of responsible officials and planned corrective actions: OMB Circular A-133 is being reviewed in the County Clerk's (Brenda Seal) office and the County Commissioners to make sure the County is in compliance in the future. The County Clerk's office phone number is (573) 224-5600 x 4.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

FS 13/12-01 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, as amended by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared in the Recorder of Deeds, Prosecuting Attorney and Sheriff's offices.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 122 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the Recorder of Deeds, Prosecuting Attorney and Sheriff's offices develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of responsible officials and planned corrective actions: The Recorder of Deeds, Prosecuting Attorney and Sheriff's offices is in the process of documenting internal controls in the County Recorder's (Cindy Stout 573-224-5600, ext. 7), Prosecuting Attorney's (Michael Jackson 573-224-5600 ext. 2), and Sheriff's (Dean Finch 573-224-3090) offices.

Status: The Recorder of Deeds, Prosecuting Attorney and Sheriff's offices have not resolved this finding. Please refer to current year finding FS 2015-001.

FS 13/12-02 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place for the Recorder of Deeds, Prosecuting Attorney and Sheriff's offices.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS (concluded)

FS 13/12-02 Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Recorder of Deeds, Prosecuting Attorney and Sheriff's offices address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: The Recorder of Deeds, Prosecuting Attorney and Sheriff's offices will address fraud risk assessment. The Prosecutor, Recorder, and Sheriff will be requested to report to the County Commission. Cindy Stout 573-224-5600, ext. 7), Prosecuting Attorney's (Michael Jackson 573-224-5600 ext. 2), and Sheriff's (Dean Finch 573-224-3090) offices.

Status: The Recorder of Deeds, Prosecuting Attorney and Sheriff's offices have not resolved this finding. Please refer to current year finding FS 2015-002.

II. PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SA 13/12-01	Federal Grantor:	U.S. Department of Agriculture
	Pass-Through	Office of Administration National Forest
Activities Allowed and Disallowed	Grantor:	Receipts
	Federal CFDA	
Material Weakness	Number:	10.665
	Program Title:	School and Roads – Grants to States (PILT)

Information on the federal program: CFDA #10.665, School and Road Grants to States was not being tracked within the Special Road and Bridge Fund.

Criteria: OMB Circular A-133 requires the auditee maintain all backup information for all federal expenditures.

Condition: Title III funding from the Forests and School grant was not being tracked in order to perform tests of activities allowed and disallowed.

Questioned Costs: Not applicable

Context: During the audit of federal programs, we discovered we were not able to track allowable and disallowable expenditures for Title III.

Effect: No control monitoring or control over federal expenditures reporting, as required by *Governmental Accounting and Financial Reporting Standards*.

THE COUNTY OF WAYNE
GREENVILLE, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

II. PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (concluded)

SA 13/12-01 Cause: Adequate emphasis was not placed on the tracking of federal expenditures.

Recommendation: The County should implement procedures to ensure that the School and Roads – Grants to States (PILT) is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required for the School and Roads – Grants to States (PILT) grant. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's office.

Views of responsible officials and planned corrective actions: OMB Circular A-133 is being reviewed in the County Clerk's (Alan Lutes) office and the County Commissioners to make sure the County is in compliance in the future. The County Clerk's office phone number is (573) 224-5609.

Status: This finding has not been resolved by the County. Please refer to current year finding SA-2015-001.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

June 24, 2016

To the Board of Commissioners
County of Wayne

In planning and performing our audit of the regulatory based financial statements of the County of Wayne (the "County") as of and for the years ended December 31, 2015, and December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the County's internal control to be material weakness as noted in section II:

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the County's internal control to be significant deficiencies as noted in section I:

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Deficiency Considered to be a Material Weakness
- III. Information Required by Professional Standards

The County's management has provided written responses to the findings in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the County Commission, County Office Holders, the Missouri State Auditor and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

FS 2015-001 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, as amended by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared in the Recorder of Deeds, Prosecuting Attorney and Sheriff's offices.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 122 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the Recorder of Deeds, Prosecuting Attorney and Sheriff's offices develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of responsible officials and planned corrective actions: The Recorder of Deeds, Prosecuting Attorney and Sheriff's offices are in the process of documenting internal controls in the County Recorder's (Cindy Stout 573-224-5600, ext. 7), Prosecuting Attorney's (Michael Jackson 573-224-5600 ext. 2), and Sheriff's (Dean Finch 573-224-3090) offices.

FS 2015-002 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place for the Recorder of Deeds, Prosecuting Attorney and Sheriff's offices.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (continued)

FS 2015-002 Recommendation: We recommend that the Recorder of Deeds, Prosecuting Attorney and Sheriff's offices address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: The Recorder of Deeds, Prosecuting Attorney and Sheriff's offices are in the process of documenting internal controls in the County Recorder's (Cindy Stout 573-224-5600, ext. 7), Prosecuting Attorney's (Michael Jackson 573-224-5600 ext. 2), and Sheriff's (Dean Finch 573-224-3090) offices.

II. DEFICIENCY CONSIDERED TO BE A MATERIAL WEAKNESS

SA 2015-001	Federal Grantor:	U.S. Department of Agriculture
Activities Allowed and Disallowed	Pass-Through Grantor:	Office of Administration National Forest Receipts
Material Weakness	Federal CFDA Number:	10.665
	Program Title:	School and Roads – Grants to States

Information on the federal program: CFDA #10.665, School and Road Grants to States was not being tracked within the Special Road and Bridge Fund.

Criteria: OMB Circular A-133 requires the auditee maintain all backup information for all federal expenditures.

Condition: Funding from the School and Roads – Grants to States grant was not being tracked in order to perform tests of activities allowed and disallowed.

Questioned Costs: Not applicable

Context: During the audit of federal programs, we discovered we were not able to track allowable and disallowable expenditures for School and Roads – Grants to States.

Effect: No control monitoring or control over federal expenditures reporting, as required by *Governmental Accounting and Financial Reporting Standards*.

Cause: Adequate emphasis was not placed on the tracking of federal expenditures.

Recommendation: The County should implement procedures to ensure that the School and Roads – Grants to States is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required for the School and Roads – Grants to States grant. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's office.

Views of responsible officials and planned corrective actions: OMB Circular A-133 is being reviewed in the County Clerk's (Brenda Seal) office and the County Commissioners to make sure the County is in compliance in the future. The County Clerk's office phone number is (573) 224-5600 x 4.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 9, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2015-2014 years. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Due to the County applying the regulatory basis of accounting, no estimates are made during the preparation of financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 24, 2016.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the County’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the schedule of expenditures of federal awards which accompany the financial statements but are not Required Supplementary Information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the regulatory basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We noted during our audit certain matters that were not considered to be significant deficiencies or material weaknesses. Several county offices have limited numbers of staff which inherently increases the risk of misstatement. Office holders appear to have mitigating controls in place to lower these risks to an acceptable level but the commission does need to be aware of these risks and offices need to remain vigilant in deterring the potential for erroneous or fraudulent activity.



Office of Missouri State Auditor
Nicole Galloway, CPA

Department of Revenue
Marshall Contract License Office



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Marshall Contract License Office

Background	The Department of Revenue has appointed 177 contract agents to operate contract license offices across the state. These offices process transactions to issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law, which became effective in 2009, the state auditor may audit contract license offices.
Accounting Controls and Procedures	The license office did not always accurately record the method of payment (cash, check, or credit card) and did not reconcile the composition of monies received to deposits. The composition of receipts did not match the composition of deposits for 2 deposits reviewed, and a manual receipt slip did not include the method of payment.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Department of Revenue

Marshall Contract License Office

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and

John Mollenkamp, Acting Director
Department of Revenue
Jefferson City, Missouri

and
Doug & Cheri LLC, Contract Agent
Marshall Contract License Office
Marshall, Missouri

We have audited certain operations maintained and established by the Marshall Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2016. The objectives of our audit were to:

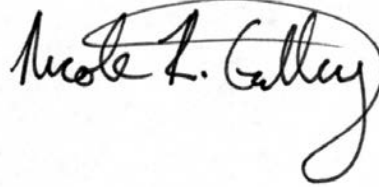
1. Evaluate the office's internal controls related to handling of various fees and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) a deficiency in internal controls, and (2) no significant noncompliance with contractual or statutory provisions. The accompanying Management Advisory Report presents our finding arising from our audit of the Marshall Contract License Office.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Joshua Shope, M.Acct., CPA
Audit Staff:	Hunter O'Donnell, M.Acct. Valerie A. Dobson

Department of Revenue

Marshall Contract License Office

Management Advisory Report - State Auditor's Finding

1. Accounting Controls and Procedures

The license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2016, the office collected and remitted to the DOR approximately \$5.3 million in taxes and fees.

The license office did not always accurately record the method of payment (cash, check, or credit card) in the accounting records and did not reconcile the composition of monies received to deposits. We reviewed receipt transactions processed in the office from December 15 to December 17, 2015, and performed a cash count on April 15, 2016. Our review determined the composition of deposits did not agree to the composition of receipts recorded for the December 17, 2015, and April 15, 2016, deposits. We identified credit card payments recorded as check and/or cash payments. In addition, the license office did not record the method of payment on a manual receipt slip issued for a driving record purchase on December 16, 2015. The license office issues manual receipt slips for these transactions because they are processed outside of the computerized system.

DOR official procedures for license offices indicate the composition of monies received should be reconciled to the accounting records and to deposits. Any differences identified as part of this work should be reviewed to ensure proper handling of monies received.

Recommendation

The license office ensure the correct method of payment is recorded in the accounting records and the composition of monies received is reconciled to the accounting records and to deposits, and differences identified from the reconciliation process are appropriately reviewed. In addition, the license office should ensure the method of payment is recorded on all manual receipt slips.

Auditee's Response

The Marshall License Office will work to ensure all methods of payment are recorded correctly, and when an error is made the correct payment will be noted on the transaction audit copy. In the driver's license system, where there is no paper work for each transaction, the clerks will record any incorrectly entered payment amounts and these corrections will be marked on the Listing Sheet report each day by the clerk who closes the shipment. All clerks have been instructed to ensure that the payment type be marked on the manual receipt slips.

Department of Revenue

Marshall Contract License Office

Organization and Statistical Information

Pursuant to Section 136.030(2), RSMo, the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 177 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities (excluding action organizations) that are exempt from taxation (not-for-profit) under the Internal Revenue Code, with special consideration given to organizations and entities that reinvest a minimum of 75 percent of the net proceeds to charitable organizations in Missouri. Priority must also be given to political subdivisions such as municipalities, counties, and fire protection districts. Prior to August 2013, contracts typically ran for a year, with three 1-year renewal periods. Starting in August 2013, contracts are typically for a period of 3½ to 5½ years. The contract may be canceled at the discretion of the DOR.

The contract license offices process transactions to issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates that are classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices process transactions to issue five basic types of driver licenses: Intermediate License (GDL); Class F (Operator); Class E (For-Hire); Class A, B, and C (Commercial); and Class M (Motorcycle). Customers may also register with Selective Service, add endorsements or restrictions to licenses, and register to vote.

The contract agents do not receive compensation from the DOR, but receive the following fees, allowed by Sections 136.055.1 and 301.140.4, RSMo, from customers for each type of transaction processed by the office.

Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two year
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50
Temporary permits	\$5.00
Other miscellaneous fees	\$2.00



Department of Revenue
Marshall Contract License Office
Organization and Statistical Information

In June 2013, the DOR solicited bids for the Marshall Contract License Office. The office was awarded to Doug & Cheri LLC, effective August 2, 2013.

For the year ended June 30, 2016, the office collected and remitted to the DOR \$5,295,268 and retained processing fees totaling \$130,044. Additionally, as part of the bidding process, the office agreed to return 2 percent of its processing fees to the state. For the year ended June 30, 2016, the office returned to the state processing fees totaling \$2,618.

Pursuant to Sections 301.020, 302.171, and 301.3033, RSMo, the licensing process allows customers to contribute to the organ donor program, blindness awareness program, and/or the World War I Memorial Trust Fund. For the year ended June 30, 2016, the office collected and remitted to the DOR \$40, \$28, and \$51 in donations for the organ donor program, blindness awareness program, and the World War I Memorial Trust Fund, respectively.

Personnel

At June 30, 2016, key office personnel were as follows:

Douglas Galaske, Contract Manager
Patricia McKinstry, Office Manager



Office of Missouri State Auditor
Nicole Galloway, CPA

Department of Revenue
Perryville Contract License Office



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Perryville Contract License Office

Background	The Department of Revenue (DOR) has appointed 177 contract agents to operate contract license offices across the state. These offices process transactions to issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law, which became effective in 2009, the state auditor may audit contract license offices.
Sales Tax Transactions	Contract license offices collect sales and use taxes based upon the purchase price of the vehicle being titled, less any applicable credits. DOR procedures require the offices to retain documentation to support the net purchase price and requires office staff to use a DOR approved source to determine the estimated fair market value if the documentation is not sufficient or the purchase price is questionably low. License office personnel did not retain sufficient documentation to support the purchase price for 1 of 59 transactions (2 percent) reviewed. Personnel also erroneously applied a trade-in credit amount for 1 of 23 (4 percent) applicable transactions reviewed.
Prepayment Void Transactions	Prepayment void transactions occur when transactions are voided before payment is made, such as when the customer lacks sufficient funds or the entry has incorrect information. DOR procedures require a supervisory review of voided transactions and customer acknowledgement if a new transaction is not completed or is for a lesser amount. License office management personnel did not perform independent supervisory reviews for 5 of 10 (50 percent) prepayment void transactions that occurred from April 20 to May 3, 2016, and license office personnel did not obtain customer acknowledgment for 3 of 6 applicable transactions.
Accounting Controls and Procedures	The license office did not always accurately record the method of payment (cash, check, or credit card) and did not reconcile the composition of monies received to deposits. The composition of receipts did not match the composition of deposits for 3 deposits reviewed, and a manual receipt slip did not include the method of payment.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
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Department of Revenue

Perryville Contract License Office

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
John Mollenkamp, Acting Director
Department of Revenue
Jefferson City, Missouri
and
MCLB Management Company, LLC, Contract Agent
Perryville Contract License Office
Perryville, Missouri

We have audited certain operations maintained and established by the Perryville Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2016. The objectives of our audit were to:

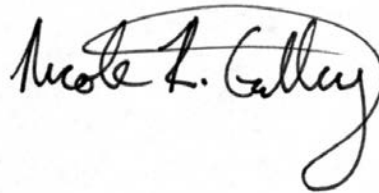
1. Evaluate the office's internal controls related to handling of various fees and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) deficiencies in internal controls, and (2) no significant noncompliance with contractual or statutory provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the Perryville Contract License Office.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Joshua Shope, M.Acct., CPA
Audit Staff:	Valerie A. Dobson

Department of Revenue

Perryville Contract License Office

Management Advisory Report - State Auditor's Findings

1. Sales Tax Transactions

The license office does not always retain adequate documentation to support purchase price amounts on vehicle sales tax transactions. In addition, the license office does not always ensure sales tax transactions are properly entered into the computerized system, resulting in incorrect sales tax collections.

Contract license offices collect sales and use taxes from taxpayers who are titling a vehicle. These taxes are based on the purchase price of the vehicle less any applicable credits, such as for selling or trading in another vehicle. Department of Revenue (DOR) official procedures require the retention of documentation to support the net purchase price for all sales and use tax transactions. If the documentation is not sufficient to support the purchase price or the purchase price is questionably low, DOR official procedures require license office staff to use a DOR approved source to determine the estimated fair market value. If the estimated fair market value is not similar to the price claimed by the taxpayer, a notarized bill of sale from the seller is required or the estimated fair market value must be used by license office staff to calculate sales tax due.

We reviewed sales and use tax transactions processed in the license office from April 20 to April 22, 2016, and noted the following concerns:

Purchase prices

License office personnel did not retain sufficient documentation to support the purchase price for 1 of 59 transactions (2 percent) reviewed. For this transaction, the purchase price used was questionably low, but license office staff did not obtain a notarized bill of sale to support the purchase price. We obtained the estimated fair market value from DOR personnel and determined the reported purchase price for the transaction was \$7,540 lower than the estimated fair market value, resulting in an apparent \$469 reduction in taxes collected.

When we brought this transaction to the DOR's attention, the DOR sent a letter to the taxpayer requiring the taxpayer to provide a notarized bill of sale to support the purchase price or pay additional taxes based on the fair market value of the vehicle. As of August 2016, no action had been taken by the taxpayer to pay the additional amount due or to provide a notarized bill of sale.

Trade-in amount

License office personnel erroneously applied a trade-in credit amount for 1 of 23 (4 percent) applicable transactions reviewed. License office personnel applied a trade-in credit amount of \$19,900 instead of the \$19,000 listed on the bill of sale, thereby reducing the net purchase price on which taxes were calculated. The transaction resulted in \$72 reduction in taxes collected. The DOR sent an additional tax due letter to the taxpayer and received full payment from the taxpayer in June 2016.



Department of Revenue
Perryville Contract License Office
Management Advisory Report - State Auditor's Findings

Conclusion

To ensure the purchase price is accurate and the proper sales tax amounts are charged to customers, the license office should comply with DOR procedures requiring adequate documentation of purchase prices, and ensure sales tax transactions are properly entered into the computerized system.

Recommendations

The license office ensure compliance with DOR procedures requiring adequate documentation to support the purchase price for vehicle sales and use tax transactions, and verify accurate entry of sales tax transactions in the computerized system before processing taxes due.

We also recommend the DOR conduct a follow-up review of the license office to ensure the license office has implemented corrective action.

Auditee's Response

The license office provided the following response:

Item 1. Auditee asserts that it did comply with DOR procedure for the transaction in question. The transaction involved a motorcycle that was over 10 years old at a sales price of \$1,000. Auditee maintains that this did not meet the threshold of an "extremely low" sales price as defined in MV-09 Section II-B. An example given in the reference section for vehicles 10 years and older is as follows: "The purchase price reflects \$100 for a 2004 Mercedes and there is no documentation explaining the reason for the low price." Auditee maintains that \$1,000 is not an "extremely low" sales price for a 2005 "Big Dog" (actual manufacturer) motorcycle and it is not an easily recognizable brand such as Harley Davidson or BMW. Subsequent research revealed that the motorcycle in question sold for \$5,500 in 2010, thus it is entirely reasonable to assume that \$1,000 is a legitimate sales price and certainly does not fall under the "extremely low" sales price as defined in DOR regulations and procedures.

Item 2. Auditee acknowledges fault in a transaction that resulted in a reduction of taxes owed by a typographical error entering \$19,900 as the trade-in credit instead of the actual trade-in credit of \$19,000.

The DOR provided the following response:

In addition to our periodic audits of the license offices, the DOR is also exploring analytical review procedures designed to specifically assist us in monitoring vehicle purchase prices entered by the license offices and possibly developing training webinars or regional trainings to assist offices. The DOR will also continue to publish articles in the License Office News to remind all offices to follow procedures related to vehicle purchase price.

Auditor's Comment

The license office is responsible for ensuring it follows DOR procedures related to reasonableness of purchase prices. If office personnel do not recognize the make of a vehicle and the taxpayer does not provide a



Department of Revenue
Perryville Contract License Office
Management Advisory Report - State Auditor's Findings

notarized bill of sale, personnel should perform research to find out more information about the vehicle. Without such research, the office cannot ensure the purchase price is reasonable.

2. Prepayment Void Transactions

License office management personnel did not perform independent supervisory reviews for 5 of 10 (50 percent) prepayment void transactions that occurred from April 20 to May 3, 2016. In each instance a supervisor reviewed and approved her own transaction. In addition, license office personnel did not obtain customer acknowledgment for 3 of 6 applicable transactions.

A prepayment void transaction occurs when a transaction is entered in the Titling and Registration Intranet Processing System (TRIPS) but is voided before payment is made. Valid reasons for prepayment void transactions include when customers lack sufficient funds to pay for the transaction, and entries with incorrect information.

DOR official procedures require an independent supervisory review of voided transactions, and customer acknowledgment of a void transaction if a new one is not completed or is for a lesser amount. In addition, independent supervisory review and customer acknowledgement help ensure the transaction was voided for a valid reason.

Recommendation

The license office ensure all prepayment void transactions are reviewed and approved by a supervisor independent of the original transaction, and supported by customer acknowledgement, when applicable.

Auditee's Response

Auditee acknowledges the deficiency. The DOR policy of requiring independent supervisory review was instituted just prior to this audit. Previously, all prepayment voids were reviewed by our DOR field representative and all clerks were not aware of the change in policy and the requirement that the customer sign at the bottom of the page acknowledging that the transaction was voided. All clerks and management are now completely informed of the new policy and are in compliance.

Auditor's Comment

The DOR policy has always required a supervisory review of prepayment void transactions. These supervisory reviews need to be independent to ensure the prepayment void transactions are handled properly. The DOR updated the policy in February 2016 to clarify this issue. In addition, the DOR policy has required customer acknowledgment of void transactions in certain situations since 2011.



3. Accounting Controls and Procedures

The license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2016, the office collected and remitted to the DOR approximately \$5.1 million in taxes and fees.

The license office did not always accurately record the method of payment (cash, check, or credit card) in the accounting records and did not reconcile the composition of monies received to deposits. We reviewed receipt transactions processed in the office from April 20 to April 22, 2016, and from May 31 to June 1, 2016. Our review determined the composition of deposits did not agree to the composition of receipts recorded for the April 21, April 22, and May 31, 2016, deposits. We identified credit card and check payments recorded as cash payments, and cash payments recorded as check payments. In addition, the license office did not record the method of payment on a manual receipt slip issued for a driving record purchase on April 20, 2016. The license office issues manual receipt slips for these transactions because they are processed outside of the computerized system.

DOR official procedures for license offices indicate the composition of monies received should be reconciled to the accounting records and to deposits. Any differences identified as part of this work should be reviewed to ensure proper handling of monies received.

Recommendation

The license office ensure the correct method of payment is recorded in the accounting records and the composition of monies received is reconciled to the accounting records and to deposits, and differences identified from the reconciliation process are appropriately reviewed. In addition, the license office should ensure the method of payment is recorded on all manual receipt slips.

Auditee's Response

Auditee acknowledges that several transactions were misidentified as to method of payment. Auditee accepts auditor's recommendations and will improve controls to make sure method of payment is accurately recorded, reviewed, and reconciled.

Department of Revenue

Perryville Contract License Office

Organization and Statistical Information

Pursuant to Section 136.030(2), RSMo, the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 177 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities (excluding action organizations) that are exempt from taxation (not-for-profit) under the Internal Revenue Code, with special consideration given to organizations and entities that reinvest a minimum of 75 percent of the net proceeds to charitable organizations in Missouri. Priority must also be given to political subdivisions such as municipalities, counties, and fire protection districts. Prior to August 2013, contracts typically ran for a year, with three 1-year renewal periods. Starting in August 2013, contracts are typically for a period of 3½ to 5½ years. The contract may be canceled at the discretion of the DOR.

The contract license offices process transactions to issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates that are classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices process transactions to issue five basic types of driver licenses: Intermediate License (GDL); Class F (Operator); Class E (For-Hire); Class A, B, and C (Commercial); and Class M (Motorcycle). Customers may also register with Selective Service, add endorsements or restrictions to licenses, and register to vote.

The contract agents do not receive compensation from the DOR, but receive the following fees, allowed by Sections 136.055.1 and 301.140.4, RSMo, from customers for each type of transaction processed by the office.

Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two year
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50
Temporary permit	\$5.00
Other miscellaneous fees	\$2.00



Department of Revenue
Perryville Contract License Office
Organization and Statistical Information

In January 2014, the DOR solicited bids for the Perryville Contract License Office. The office was awarded to MCLB Management Company, LLC, effective June 19, 2014.

For the year ended June 30, 2016, the office collected and remitted to the DOR \$5,091,366 and retained processing fees totaling \$128,445. Additionally, as part of the bidding process, the office agreed to return 4 percent of its processing fees to the state. For the year ended June 30, 2016, the office returned to the state processing fees totaling \$5,121.

Pursuant to Sections 301.020, 302.171, and 301.3033, RSMo, the licensing process allows customers to contribute to the organ donor program, blindness awareness program, and/or the World War I Memorial Trust Fund. For the year ended June 30, 2016, the office collected and remitted to the DOR \$37, \$52, and \$39 in donations for the organ donor program, blindness awareness program, and the World War I Memorial Trust Fund, respectively.

Personnel

At June 30, 2016, key office personnel were as follows:

Gerry Jones II, Contract Manager
Della Fleetwood, Office Manager



Office of Missouri State Auditor
Nicole Galloway, CPA

Department of Revenue
Salem Contract License Office



CITIZENS SUMMARY

Findings in the audit of the Salem Contract License Office

Background	The Department of Revenue has appointed 177 contract agents to operate contract license offices across the state. These offices process transactions to issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law, which became effective in 2009, the state auditor may audit contract license offices.
Findings	The audit identified no significant deficiencies in internal controls and no significant noncompliance with contractual or statutory provisions. No findings resulted from this audit.

In the areas audited, the overall performance of this entity was **Excellent**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Department of Revenue
Salem Contract License Office
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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
John Mollenkamp, Acting Director
Department of Revenue
Jefferson City, Missouri
and
Salem License Office LLC, Contract Agent
Salem Contract License Office
Salem, Missouri

We have audited certain operations maintained and established by the Salem Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2016. The objectives of our audit were to:

1. Evaluate the office's internal controls related to handling of various fees and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

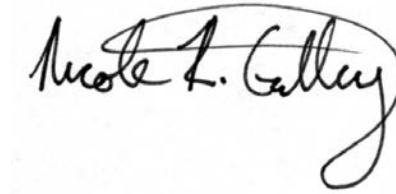
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) no significant deficiencies in internal controls, and (2) no significant noncompliance with contractual or statutory provisions.

No findings resulted from our audit of the Salem Contract License Office.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Joshua Shope, M.Acct., CPA
Audit Staff:	Hunter O'Donnell, M.Acct
	Valerie A. Dobson

Department of Revenue

Salem Contract License Office

Organization and Statistical Information

Pursuant to Section 136.030(2), RSMo, the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 177 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities (excluding action organizations) that are exempt from taxation (not-for-profit) under the Internal Revenue Code, with special consideration given to organizations and entities that reinvest a minimum of 75 percent of the net proceeds to charitable organizations in Missouri. Priority must also be given to political subdivisions such as municipalities, counties, and fire protection districts. Prior to August 2013, contracts typically ran for a year, with three 1-year renewal periods. Starting in August 2013, contracts are typically for a period of 3½ to 5½ years. The contract may be canceled at the discretion of the DOR.

The contract license offices process transactions to issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates that are classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices process transactions to issue five basic types of driver licenses: Intermediate License (GDL); Class F (Operator); Class E (For-Hire); Class A, B, and C (Commercial); and Class M (Motorcycle). Customers may also register with Selective Service, add endorsements or restrictions to licenses, and register to vote.

The contract agents do not receive compensation from the DOR, but receive the following fees, allowed by Sections 136.055.1 and 301.140.4, RSMo, from customers for each type of transaction processed by the office.

Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two year
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50
Temporary permit	\$5.00
Other miscellaneous fees	\$2.00



Department of Revenue
Salem Contract License Office
Organization and Statistical Information

In November 2013, the DOR solicited bids for the Salem Contract License Office. The office was awarded to Salem License Office LLC, effective February 13, 2014.

For the year ended June 30, 2016, the office collected and remitted to the DOR \$3,426,180 and retained processing fees totaling \$102,800. Under the terms of the contract, the office was not required to return a percentage of its processing fees to the state.

Pursuant to Sections 301.020, 302.171, and 301.3033, RSMo, the licensing process allows customers to contribute to the organ donor program, blindness awareness program, and/or the World War I Memorial Trust Fund. For the year ended June 30, 2016, the office collected and remitted to the DOR \$6, \$15, and \$20 in donations for the organ donor program, blindness awareness program, and the World War I Memorial Trust Fund, respectively.

Personnel

At June 30, 2016, key office personnel were as follows:

Tammie Richardson, Contract/Office Manager



Office of Missouri State Auditor
Nicole Galloway, CPA

Department of Revenue
Twin City Contract License Office



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Twin City Contract License Office

Background	The Department of Revenue has appointed 177 contract agents to operate contract license offices across the state. These offices process transactions to issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law, which became effective in 2009, the state auditor may audit contract license offices.
Contract Compliance	License office staff did not properly maintain the inventory records for 3 of 25 inventory items reviewed. We found 3 items that were not listed in the inventory records, and during the last semi-annual inventory, 1 item could not be located by the office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Department of Revenue

Twin City Contract License Office

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and

John Mollenkamp, Acting Director
Department of Revenue
Jefferson City, Missouri

and
Twin City Area Chamber of Commerce, Contract Agent
Twin City Contract License Office
Festus, Missouri

We have audited certain operations maintained and established by the Twin City Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2016. The objectives of our audit were to;

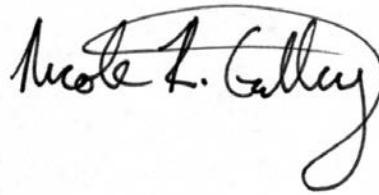
1. Evaluate the office's internal controls related to handling of various fees and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) no significant deficiencies in internal controls, and (2) noncompliance with a contractual provision. The accompanying Management Advisory Report presents our finding arising from our audit of the Twin City Contract License Office.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Joshua Shope, M.Acct., CPA
Audit Staff:	Hunter O'Donnell, M.Acct. Valerie A. Dobson

Department of Revenue

Twin City Contract License Office

Management Advisory Report - State Auditor's Finding

1. Contract Compliance

The license office does not always accurately update perpetual inventory records, as required by the DOR agent contract. According to office management, the office tries to maintain a 30-day stock of inventory items such as license plates, tabs, decals, and permits.

License office staff did not properly maintain the inventory records for 3 of 25 inventory items reviewed. During our review on May 4, 2016, we found 3 items not listed in the inventory records. These items were in shipments received by the office in November 2013, November 2015, and March 2016. In addition, during the last semi-annual inventory, 1 item could not be located by the office.

The license office increases the risk of undetected theft and/or impropriety when inventory records are not updated accurately and timely. In addition, the DOR agent contract requires the license office to maintain up-to-date perpetual inventory records.

Recommendation

The license office maintain accurate perpetual inventory records, as required by the DOR agent contract.

Auditee's Response

The Twin City License Office understands the importance of maintaining an accurate daily inventory log book to avoid undetected theft and/or impropriety. The three items cited as not properly logged were as follows:

- 2017 Boat Decal Z023450
- Outboard Motor Decal MK0975
- October Truck Plate 3UX-610

The inventory range received that we listed in ink at the top of each inventory sheet did not reflect the last two items on their respective pages as the last of the series received. The first one, the boat decal, we did not list properly in the range received on the correct page. All three of these inventory items are still in the Twin City License locked inventory closet and are available for sale.

The item that could not be located in the office during the semi-annual inventory was never actually in our office. A temporary placard number was not in the series. It is the fault of this office due to the placards in the package not being checked and counted for numbers included when received. The \$2 for this placard was paid for by the Twin City License Office on the Long/Short report for the DOR semi-annual audit in February 2016. We will ensure that all placard packages are checked when received. It is our office policy and intention to be compliant with all contract requirements.

Department of Revenue

Twin City Contract License Office

Organization and Statistical Information

Pursuant to Section 136.030(2), RSMo, the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 177 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities (excluding action organizations) that are exempt from taxation (not-for-profit) under the Internal Revenue Code, with special consideration given to organizations and entities that reinvest a minimum of 75 percent of the net proceeds to charitable organizations in Missouri. Priority must also be given to political subdivisions such as municipalities, counties, and fire protection districts. Prior to August 2013, contracts typically ran for a year, with three 1-year renewal periods. Starting in August 2013, contracts are typically for a period of 3½ to 5½ years. The contract may be canceled at the discretion of the DOR.

The contract license offices process transactions to issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates that are classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices process transactions to issue five basic types of driver licenses: Intermediate License (GDL); Class F (Operator); Class E (For-Hire); Class A, B, and C (Commercial); and Class M (Motorcycle). Customers may also register with Selective Service, add endorsements or restrictions to licenses, and register to vote.

The contract agents do not receive compensation from the DOR, but receive the following fees, allowed by Sections 136.055.1 and 301.140.4, RSMo, from customers for each type of transaction processed by the office.

Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two year
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50
Temporary permit	\$5.00
Other miscellaneous fees	\$2.00



Department of Revenue
Twin City Contract License Office
Organization and Statistical Information

In November 2013, the DOR solicited bids for the Twin City Contract License Office. The office was awarded to Twin City Area Chamber of Commerce, effective February 13, 2014.

For the year ended June 30, 2016, the office collected and remitted to the DOR \$10,469,931, and retained processing fees totaling \$230,404. Under the terms of the contract, the office was not required to return a percentage of its processing fees to the state.

Pursuant to Sections 301.020, 302.171, and 301.3033, RSMo, the licensing process allows customers to contribute to the organ donor program, blindness awareness program, and/or the World War I Memorial Trust Fund. For the year ended June 30, 2016, the office collected and remitted to the DOR \$288, \$517, and \$429 in donations for the organ donor program, blindness awareness program, and the World War I Memorial Trust Fund, respectively.

Personnel

At June 30, 2016, key office personnel were as follows:

Claudia Kirn, Contract Manager
Melissa Hemmen, Office Manager



Office of Missouri State Auditor
Nicole Galloway, CPA

Department of Revenue
Warrensburg Contract License
Office



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Warrensburg Contract License Office

Background	The Department of Revenue (DOR) has appointed 177 contract agents to operate contract license offices across the state. These offices process transactions to issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law, which became effective in 2009, the state auditor may audit contract license offices.
Sales Tax Transactions	Contract license offices collect sales and use taxes based upon the purchase price of the vehicle being titled, less any applicable credits. DOR procedures require the offices to retain documentation to support the net purchase price and requires office staff to use a DOR approved source to determine the estimated fair market value if the documentation is not sufficient or the purchase price is questionably low. License office personnel did not retain sufficient documentation to support the purchase price for 1 of 60 transactions (2 percent) reviewed.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Department of Revenue

Warrensburg Contract License Office

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
John Mollenkamp, Acting Director
Department of Revenue
Jefferson City, Missouri
and
License Office Services, LLC, Contract Agent
Warrensburg Contract License Office
Warrensburg, Missouri

We have audited certain operations maintained and established by the Warrensburg Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2016. The objectives of our audit were to:

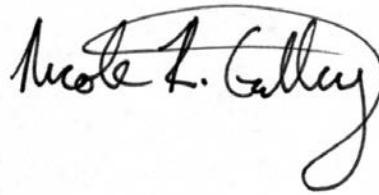
1. Evaluate the office's internal controls related to handling of various fees and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) a deficiency in internal controls, and (2) no significant noncompliance with contractual or statutory provisions. The accompanying Management Advisory Report presents our finding arising from our audit of the Warrensburg Contract License Office.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Joshua Shope, M.Acct., CPA
Audit Staff:	Valerie A. Dobson

Department of Revenue

Warrensburg Contract License Office

Management Advisory Report - State Auditor's Finding

1. Sales Tax Transactions

The license office does not always retain adequate documentation to support purchase price amounts on vehicle sales tax transactions.

Contract license offices collect sales and use taxes from taxpayers who are titling a vehicle. These taxes are based on the purchase price of the vehicle less any applicable credits, such as for selling or trading in another vehicle. Department of Revenue (DOR) official procedures require the retention of documentation to support the net purchase price for all sales and use tax transactions. If the documentation is not sufficient to support the purchase price or the purchase price is questionably low, DOR official procedures require license office staff to use a DOR approved source to determine the estimated fair market value. If the estimated fair market value is not similar to the price claimed by the taxpayer, a notarized bill of sale from the seller is required or the estimated fair market value must be used by license office staff to calculate sales tax due.

License office personnel did not retain sufficient documentation to support the purchase price for 1 of 60 transactions (2 percent) reviewed. For this transaction, the purchase price used was questionably low, but license office staff did not obtain a notarized bill of sale to support the purchase price. We obtained the estimated fair market value from DOR personnel and determined the reported purchase price for the transaction was \$2,684 lower than the estimated fair market value, resulting in an apparent \$224 reduction in taxes collected.

When we brought this transaction to the DOR's attention, the DOR sent a letter to the taxpayer requiring the taxpayer to provide a notarized bill of sale to support the purchase price or pay additional taxes based on the fair market value of the vehicle. In June 2016, the taxpayer provided a notarized bill of sale supporting the purchase price, so the taxpayer owed no additional taxes. However, license office staff should have obtained a notarized bill of sale at the time the transaction was processed to support the low purchase price.

To ensure the purchase price is accurate, the license office should comply with DOR procedures requiring adequate documentation of purchase prices.

Recommendations

The license office ensure compliance with DOR procedures requiring adequate documentation to support the purchase price for vehicle sales and use tax transactions.

We also recommend the DOR conduct a follow-up review of the license office to ensure the license office has implemented corrective action.



Department of Revenue
Warrensburg Contract License Office
Management Advisory Report - State Auditor's Finding

Auditee's Response

The license office provided the following response:

The office acknowledges the error made on this one transaction. However, the current DOR policy MV V-09 regarding verification of purchase prices is vague. The wording "extremely low" is left open to the interpretation of the reader. Clarification of this particular policy would be greatly beneficial to our staff and the citizens of the State of Missouri in complying with DOR policy. Our office will continue to emphasize the need for scrutiny by our staff in regard to this particular procedure. It is our goal to provide efficient and courteous service to our customers while following DOR policies.

The DOR provided the following response:

In addition to our periodic audits of the license offices, the DOR is also exploring analytical review procedures designed to specifically assist us in monitoring vehicle purchase prices entered by the license offices and possibly developing training webinars or regional trainings to assist offices. The DOR will also continue to publish articles in the License Office News to remind all offices to follow procedures related to vehicle purchase price.

Department of Revenue

Warrensburg Contract License Office

Organization and Statistical Information

Pursuant to Section 136.030(2), RSMo, the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 177 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities (excluding action organizations) that are exempt from taxation (not-for-profit) under the Internal Revenue Code, with special consideration given to organizations and entities that reinvest a minimum of 75 percent of the net proceeds to charitable organizations in Missouri. Priority must also be given to political subdivisions such as municipalities, counties, and fire protection districts. Prior to August 2013, contracts typically ran for a year, with three 1-year renewal periods. Starting in August 2013, contracts are typically for a period of 3½ to 5½ years. The contract may be canceled at the discretion of the DOR.

The contract license offices process transactions to issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates that are classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices process transactions to issue five basic types of driver licenses: Intermediate License (GDL); Class F (Operator); Class E (For-Hire); Class A, B, and C (Commercial); and Class M (Motorcycle). Customers may also register with Selective Service, add endorsements or restrictions to licenses, and register to vote.

The contract agents do not receive compensation from the DOR, but receive the following fees, allowed by Sections 136.055.1 and 301.140.4, RSMo, from customers for each type of transaction processed by the office.

Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two year
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50
Temporary permit	\$5.00
Other miscellaneous fees	\$2.00



Department of Revenue
Warrensburg Contract License Office
Organization and Statistical Information

In October 2014, the DOR solicited bids for the Warrensburg Contract License Office. The office was awarded to License Office Services, LLC, effective January 1, 2015.

For the year ended June 30, 2016, the office collected and remitted to the DOR \$12,885,239 and retained processing fees totaling \$258,520. Additionally, as part of the bidding process, the office agreed to return 8 percent of its processing fees to the state. For the year ended June 30, 2016, the office returned to the state processing fees totaling \$21,147.

Pursuant to Sections 301.020, 302.171, and 301.3033, RSMo, the licensing process allows customers to contribute to the organ donor program, blindness awareness program, and/or the World War I Memorial Trust Fund. For the year ended June 30, 2016, the office collected and remitted to the DOR \$2,542, \$2,300, and \$4,473 in donations for the organ donor program, blindness awareness program, and the World War I Memorial Trust Fund, respectively.

Personnel

At June 30, 2016, key office personnel were as follows:

Linda Rankin, Contract Manager
Paula Gauchat, Office Manager



Office of Missouri State Auditor
Nicole Galloway, CPA

Department of Revenue
Savannah Contract License Office



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Savannah Contract License Office

Background	The Department of Revenue (DOR) has appointed 177 contract agents to operate contract license offices across the state. These offices process transactions to issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law, which became effective in 2009, the state auditor may audit contract license offices.
Prepayment Void Transactions	Prepayment void transactions occur when transactions are voided before payment is made, such as when the customer lacks sufficient funds or the entry has incorrect information. DOR procedures require a supervisory review of voided transactions and customer acknowledgement if a new transaction is not completed or is for a lesser amount. License office management personnel did not perform independent supervisory reviews for 3 of 10 (30 percent) prepayment void transactions that occurred from March 22 to April 5, 2016.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Department of Revenue

Savannah Contract License Office

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and

John Mollenkamp, Acting Director
Department of Revenue
Jefferson City, Missouri

and
Connie F. Gordon, Contract Agent
Savannah Contract License Office
Savannah, Missouri

We have audited certain operations maintained and established by the Savannah Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2016. The objectives of our audit were to:

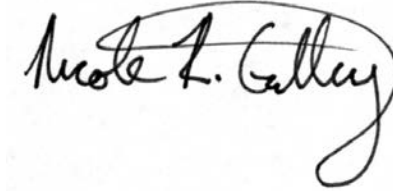
1. Evaluate the office's internal controls related to handling of various fees and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) a deficiency in internal controls, and (2) no significant noncompliance with contractual or statutory provisions. The accompanying Management Advisory Report presents our finding arising from our audit of the Savannah Contract License Office.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Joshua Shope, M.Acct., CPA
Audit Staff:	Hunter O'Donnell, M.Acct. Valerie A. Dobson

Department of Revenue
Savannah Contract License Office
Management Advisory Report - State Auditor's Finding

1. Prepayment Void Transactions

License office management personnel did not perform independent supervisory reviews for 3 of 10 (30 percent) prepayment void transactions that occurred from March 22 to April 5, 2016. In each instance a supervisor reviewed and approved her own transaction.

A prepayment void transaction occurs when a transaction is entered in the Titling and Registration Intranet Processing System (TRIPS) but is voided before payment is made. Valid reasons for prepayment void transactions include when customers lack sufficient funds to pay for the transaction, and entries with incorrect information.

Department of Revenue (DOR) official procedures require an independent supervisory review of voided transactions. Independent supervisory reviews help ensure the transactions were voided for a valid reason.

Recommendation

The license office ensure all prepayment void transactions are reviewed and approved by a supervisor independent of the original transaction.

Auditee's Response

The Savannah License Office acknowledges the mistake of the contract manager reviewing and approving her own prepayment voids. Prior to February 4, 2016, this was procedure. License Office News dated February 5, 2016, did not specify an office manager needed to approve the contract manager and vice versa. If the contract manager had gone to LP017 and fully read the new update she would have understood this. The office has changed the policy since the audit and prepayment voids are approved as required.

Auditor's Comment

The DOR policy has always required a supervisory review of prepayment void transactions. These supervisory reviews need to be independent to ensure the prepayment void transactions are handled properly. The DOR updated the policy in February 2016 to clarify this issue.

Department of Revenue

Savannah Contract License Office

Organization and Statistical Information

Pursuant to Section 136.030(2), RSMo, the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 177 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities (excluding action organizations) that are exempt from taxation (not-for-profit) under the Internal Revenue Code, with special consideration given to organizations and entities that reinvest a minimum of 75 percent of the net proceeds to charitable organizations in Missouri. Priority must also be given to political subdivisions such as municipalities, counties, and fire protection districts. Prior to August 2013, contracts typically ran for a year, with three 1-year renewal periods. Starting in August 2013, contracts are typically for a period of 3½ to 5½ years. The contract may be canceled at the discretion of the DOR.

The contract license offices process transactions to issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates that are classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices process transactions to issue five basic types of driver licenses: Intermediate License (GDL); Class F (Operator); Class E (For-Hire); Class A, B, and C (Commercial); and Class M (Motorcycle). Customers may also register with Selective Service, add endorsements or restrictions to licenses, and register to vote.

The contract agents do not receive compensation from the DOR, but receive the following fees, allowed by Sections 136.055.1 and 301.104.4, RSMo, from customers for each type of transaction processed by the office.

Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two year
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50
Temporary permit	\$5.00
Other miscellaneous fees	\$2.00



Department of Revenue
Savannah Contract License Office
Organization and Statistical Information

In November 2013, the DOR solicited bids for the Savannah Contract License Office. The office was awarded to Connie F. Gordon, effective May 1, 2014.

For the year ended June 30, 2016, the office collected and remitted to the DOR \$6,641,173, and retained processing fees totaling \$142,436. Under the terms of the contract, the office was not required to return a percentage of its processing fees to the state from May 1, 2014, through June 30, 2015. For the remainder of the contract, the office agreed to return 0.25 percent of its processing fees to the state. For the year ended June 30, 2016, the office returned to the state processing fees totaling \$355.

Pursuant to Sections 301.020, 302.171, and 301.3033, RSMo, the licensing process allows customers to contribute to the organ donor program, blindness awareness program, and/or the World War I Memorial Trust Fund. For the year ended June 30, 2016, the office collected and remitted to the DOR \$351, \$310, and \$507 in donations for the organ donor program, blindness awareness program, and the World War I Memorial Trust Fund, respectively.

Personnel

At June 30, 2016, key office personnel were as follows:

Connie Gordon, Contract Manager
Carol Brandon, Office Manager



Office of Missouri State Auditor
Nicole Galloway, CPA

Twenty-First Judicial Circuit
City of Wellston
Municipal Division



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Wellston Municipal Division

Bond Procedures	<p>Monies totaling \$1,232 for bonds were not transmitted to the municipal division from the former police department and, as a result, may be missing. Auditors were also unable to determine whether some bond receipts recorded as paid by credit card totaling \$3,398 were deposited into city accounts because the former police department and current police cooperative did not always properly record the method of payment. In addition, municipal division procedures for identifying, reconciling, and monitoring bond liabilities need significant improvement, and there is an apparent significant shortage in the bond account. Also, the municipal division does not review the status of open bonds held and some bond monies are not properly restricted.</p>
Accounting Controls and Procedures	<p>Neither the Municipal Judge nor city personnel perform adequate supervisory or independent reviews of court accounting functions and records. Receipts were not transmitted intact or timely to the city for deposit, receipts were entered in the case management system in the wrong amounts, and refunds were not issued for overpayments. The city also did not require adequate detail from a vendor to ensure the city received all monies due, and the city and vendor did not comply with state policies governing the use of speed cameras on state highways. City officials did not disburse amounts collected for certain court surcharges monthly, and the Court Clerk did not accurately report the amounts of some surcharges collected to the city, resulting in underpayments to the state of approximately \$2,250 for certain surcharges.</p>
Municipal Division Procedures	<p>The Court Clerk does not periodically review accrued costs owed to the municipal division. The municipal division has not taken timely or appropriate actions to implement a court order issued by the Municipal Judge in 2015 and, as a result, the division's caseload remains very high, the city is not able to collect monies owed timely, and the judge's intent to change court practices in response to Senate Bill 5 (effective August 28, 2015) has not been met. The municipal division regularly collects court costs, fees, and surcharges on dismissed cases, in violation of state law. There is little assurance certain court surcharges were properly authorized and used in accordance with state law. The former police department and the municipal division did not adequately account for the numerical sequence or ultimate disposition of all traffic tickets issued, and the municipal division and policing cooperative have not established current procedures to ensure ticket accountability. Court records are not maintained in an accurate, complete, and organized manner. The Municipal Judge does not approve the final disposition of cases, the Prosecuting Attorney does not sign tickets, and the municipal division does not always assess fines and court costs in accordance with the violation bureau schedule.</p>
Monitoring of Excess Revenues	<p>The Municipal Division does not have procedures in place to identify minor traffic violation tickets and the associated fines and court costs collected. In addition, the city's procedures to calculate whether excess revenues are due to the Department of Revenue are not adequate to ensure compliance with state law. The city's calculation for the year ended June 30, 2015, was inaccurate, using a misstated total general operating revenue amount.</p>

Records and Reporting

The former city police department did not submit annual vehicle stops data to the Attorney General's Office as required by state law. In addition, monthly reports submitted to the Office of the State Courts Administrator were not complete and accurate, the Court Clerk did not file a monthly report of cases heard with the city, and the municipal division could not locate some case records.

In the areas audited, the overall performance of this entity was Poor .*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Twenty-First Judicial Circuit

City of Wellston Municipal Division

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Twenty-First Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the City Council
Wellston, Missouri

We have audited certain operations of the City of Wellston Municipal Division of the Twenty-First Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2015. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

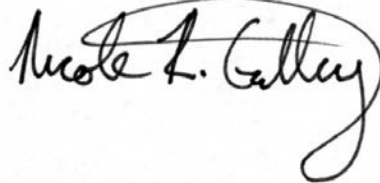
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Wellston Municipal Division of the Twenty-First Judicial Circuit.

A petition audit of the City of Wellston, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Travis Owens, MBA, CPA, CFE, CGAP
In-Charge Auditor:	David Olson
Senior Auditor:	Steven Re', CPA
Audit Staff:	Morgan Alexander
	Ashtin Withers
	Emily Warren

Twenty-First Judicial Circuit

City of Wellston Municipal Division

Management Advisory Report - State Auditor's Findings

1. Bond Procedures

Monies totaling \$1,232 for bonds were not transmitted to the municipal division from the former police department and, as a result, may be missing. Also, we were unable to determine whether some bond receipts recorded as paid by credit card totaling \$3,398 were deposited into city accounts because the former police department and current police cooperative did not always properly record the method of payment. Further, municipal division procedures for identifying, reconciling, and monitoring bond liabilities need improvement, and some bond monies are not properly restricted. For the year ended June 30, 2015, bonds receipted and subsequently deposited into city accounts totaled approximately \$115,000.

Until disbanded in June 2015, the police department collected bonds and transmitted them to the municipal division. After disbanding the department, the city entered into a contract with the North County Police Cooperative to provide police services. The policing cooperative now operates in the City of Wellston as a precinct station of the cooperative with certain officers assigned to Wellston. The cooperative continues to follow the same bond procedures.

When a cash bond is posted, a police officer records the payment on a prenumbered bond form and on a manual bond log. A copy of the bond form and the payment are sealed in an envelope, placed in a locked drop box, and subsequently transmitted to the municipal division. When the drop box is opened by the Court Clerk, a police officer prepares a transmittal sheet which lists the total money order, cash, and credit card receipts transmitted to the municipal division. The Court Clerk then posts the bonds to the case management system and transmits the monies to the City Bookkeeper for deposit. Bonds paid by credit card are deposited electronically into the fines and fees account, instead of the bond account.

1.1 Bond receipts, transmittals, and deposits

We reviewed all bond activity recorded in the police department's manual bond log and deposits of bond monies into the city's bond account and fines and fees account during the year ended June 30, 2015. We identified various problems when comparing bond amounts receipted, transmitted, and deposited and when comparing amounts recorded in manual records to amounts recorded in the case management system.

- Recorded cash bond receipts totaling \$1,232 were receipted by the police department but apparently not transmitted to the municipal division. Also, we were unable to determine whether some bond receipts recorded as paid by credit card totaling \$3,398 were deposited into city accounts. These discrepancies may have resulted from the police department's and police cooperative's failure to accurately record the method of payment for bonds on the bond form and bond log.



Twenty-First Judicial Circuit
City of Wellston Municipal Division
Management Advisory Report - State Auditor's Findings

Based on our review of the police department's manual bond log, we determined \$120,033 was receipted by the police department, but only \$115,403 was transmitted by the Court Clerk for deposit or deposited electronically by a third party credit card processor, a difference of \$4,630. The amount reported as transmitted by the police department to the municipal division of \$118,801 is \$1,232 less than the amount receipted in the bond log.

- Bonds paid by credit card are deposited in the city's fines and fees account instead of the bond account. Generally, the municipal division did not maintain copies of receipt slips for these transactions attached to the bond form. There is a high volume of credit card activity in the fines and fees account and the municipal division does not have adequate procedures to maintain credit card receipts with the related case files. As a result, we could not determine if a bond was paid by credit card unless that was noted on the bond log or the bond form and the amount and date corresponded to an electronic deposit in the city's fines and fees account.

For example, for bonds collected in December 2014 the monthly transmittal sheet prepared by the police department and submitted to the municipal division indicates \$1,140 was collected in bond monies by credit card; however, we could only clearly identify bond credit card receipts of \$670. We identified similar differences in bond collections for November 2014, January 2015, February 2015, and June 2015. As a result, we could not account for \$3,398 in bond monies that may have been deposited, but sufficient records are not available.

- The Court Clerk did not record some bonds in the case management system and did not record some bonds in the correct amount. We traced each bond recorded on the police department's bond log to the case management system, and determined 5 bonds totaling \$860 were not posted to the case management system. We also determined 7 bonds were recorded in the case management system at a different amount than recorded in the bond log, with 2 recorded at a total of \$180 greater than the bond log, and 5 recorded at a total of \$132 less than the bond log. In addition, 1 bond totaling \$250 was not recorded in the bond log but was recorded in the case management system. The Court Clerk was not able to provide an explanation for these discrepancies.

In addition, we identified numerous procedural problems. There is no review or comparison between bond records, case management system entries, and deposits, and there are no procedures to account for the numerical sequence of prenumbered bond forms. Without such procedures, there is no assurance all monies receipted are transmitted and deposited and are properly recorded in the case management system. The policing



Twenty-First Judicial Circuit
City of Wellston Municipal Division
Management Advisory Report - State Auditor's Findings

cooperative does not ensure the method of payment is properly recorded on the bond forms and/or the bond log, and the municipal division does not ensure the method of payment is properly recorded in the case management system. The Court Clerk posts all bonds to the case management system as cash, regardless of the actual payment method. The bond forms and bond log do not include the appropriate detail needed to record all types of payment that are accepted by the city including cash, money order, or credit card. In some cases, the police officer accepting the bond made a notation that the bond was paid by credit card, but this procedure was not applied consistently. As a result, auditors could not reconcile the composition of receipts to the composition of deposits.

The lack of segregation of duties, inadequate internal controls, and the absence of proper oversight by the Municipal Judge or other city officials, as discussed in MAR finding number 2, resulted in the failure to detect these discrepancies. Controls over manual bond forms are necessary to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds. Necessary controls include accounting for the numerical sequence of bond forms, properly indicating the method of payment, ensuring proper and timely recording of bond receipts in the case management system, and reconciliations of various records.

1.2 Bond liabilities, reconciliations, and review of open bonds

A book balance for the bond account is not maintained to facilitate monthly reconciliation to the bank balance and related liabilities (open bonds). In addition, while a list of outstanding bonds is maintained in the municipal division's case management system, the list is not generated and submitted to the city monthly for reconciliation to the bond account balance. The municipal division has not established procedures to review the status of open bonds held and some bond monies are not properly restricted.

Bond liabilities

At our request, the Court Clerk generated a list of open bonds at February 29, 2016, that totaled \$365,641. Based on municipal division procedures and case management system programming, we determined the listing was not accurate. We adjusted the reported total of open bonds for the following items:

- The reported total excluded bonds that had been applied or forfeited, but the corresponding transfers had not been processed as of February 29, 2016. When bonds are applied or forfeited, money is transferred from the bond account to other city accounts. We determined the amount of pending transfers. (increase of \$63,791)
- We identified one bond that had been refunded and cleared the bank as of February 2016 but the refund transaction had not been posted to the case management system. (decrease of \$115)



Twenty-First Judicial Circuit
City of Wellston Municipal Division
Management Advisory Report - State Auditor's Findings

- We identified approximately 600 bonds included in the report classified as partially applied but the report included the full amount of the bond originally posted by defendants. (decrease of \$136,547)

The adjusted amount of open bonds totaling \$292,770 exceeded the actual bank balance of \$12,453, an apparent shortage of \$280,317. The bank balance includes the sum of the actual cash balance of \$9,583 in the bond account as of February 29, 2016, plus \$2,870 in bonds paid by credit card that we confirmed were deposited in the fines and fees account during fiscal year 2015. The reconciled bank balance is likely less due to outstanding checks; however, we were unable to determine the reconciled bank balance because the municipal division does not maintain a list of outstanding checks. Considering this large discrepancy, there is little assurance bond monies are accounted for properly.

City personnel indicated they were aware of an apparent shortage and have been unable to perform timely transfers of monies for bonds that have been applied to court fines and costs or forfeited. We identified several potential explanations for the apparent shortage in the bond account. After adjusting for these known and/or possible differences totaling approximately \$172,100, the remaining unexplained shortage is approximately \$108,217.

- As previously discussed in this section, approximately 600 bonds were classified as partially applied indicating only a portion of the original bond was applied to court fines and costs, and a refund is likely due to the defendant, though we were unable to determine whether these refunds had been processed and, if so, whether the checks had cleared the bank. These bonds were originally posted at various dates dating back to 2000.

We reviewed the 3 bonds originally posted during fiscal year 2015 and noted that refunds had been issued for all 3. Two of the these refund checks were still outstanding at the time of our review. As a result, we did not remove them from the open bonds total shown earlier, since the amount of outstanding checks is not known and we are comparing to the actual cash balance, not the reconciled bank balance. None of these 3 refunds had been posted to the case management system.

As a result, approximately \$80,200 included in the adjusted open bonds total may represent bond refunds that have already been issued but not posted to the case management system. If these refunds have been issued, the apparent shortage would be less.

- In July 2014 and April 2015 the city disbursed a total of about \$90,000 from the bond account for lease payments due on police vehicles. Bond monies are restricted and should not be disbursed unless forfeited by the



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defendant, applied to fines and costs, or refunded. Although these payments reduced the amount of bond monies in the account, the city has not reduced planned future transfers for bonds applied or forfeited.

- The bank and credit card processor assess monthly service fees on the bond account. For the year ended June 30, 2015, these fees totaled approximately \$1,900. Although these fees reduced the amount of bond monies in the account, the city has not reduced planned future transfers for bonds applied or forfeited.

Missouri Supreme Court Operating Rule No. 4.59 (Uniform Record Keeping System) requires reconciling all bank balances and open items records at least monthly. Missouri Supreme Court Operating Rule No. 4.56 requires the municipal division to prepare a record of open items monthly. Maintaining a book balance, reconciling the bank balance to the book balance, and reconciling liabilities to the reconciled bank account balance are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. Also, monthly lists of liabilities are necessary to ensure all bond dispositions have been properly recorded. In addition, city officials should ensure they have sufficient legal rights to bond monies before expending these monies.

Review of open bonds

The municipal division has not established procedures to review the status of open bonds held and ensure amounts listed as liabilities are accurate. Of the outstanding bonds at February 29, 2016, 1,029 were posted more than 5 years ago, with 19 of these bonds dating back to 2000.

Based on the problems and apparent shortage discussed earlier, we reviewed documentation for an additional 20 cases with bonds totaling approximately \$8,000 from the February 29, 2016, open bonds listing to determine if the bonds were classified accurately. We determined 3 of these bonds were misclassified and did not represent liabilities. For 2 cases, the court applied the bonds to the defendant's fines and costs in 2014 according to case records but the bonds remained on the listing of open bonds at February 29, 2016. For another case, a bond was forfeited by a court order but the Court Clerk did not record the forfeiture in the case management system. In addition, while not misclassified, we noted another bond was not forfeited timely.

The failure to establish procedures to routinely review open bonds and apply, forfeit, or refund monies when appropriate increases the volume of cases requiring monitoring and deprives the state, city, or others the use of those monies. If refunding is appropriate, but proper payees cannot be located, the monies should be disposed of in accordance with state law.



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Restricted bond monies

Bond monies should be legally restricted until such time as they are forfeited, applied, or refunded; however, bonds paid by credit card are deposited into the city's fines and fees bank account instead of the bond bank account, and the related disbursements and balance are not tracked separately. As a result, the municipal division and the city do not know what portion of the fines and fees account balance represents restricted bond monies and cannot demonstrate disbursements of these funds were allowable or appropriate.

When receipts and disbursements associated with restricted monies are maintained in the same bank account, separate accounting should be established to track their usage and ensure compliance with state laws.

Recommendations

The City of Wellston Municipal Division:

- 1.1 Investigate the missing funds and other questionable transactions, and seek assistance from law enforcement if appropriate. Continue to ensure manual bond forms are prenumbered and work with the policing cooperative to ensure manual bond forms and the bond log clearly indicate the method of payment. Also, implement procedures to ensure someone independent of the receipting process accounts for the numerical sequence of manual bond forms and reconciles the forms and/or the bond log to the case management system and deposits.
- 1.2 Work with the city to maintain a bond account book balance, perform monthly bank reconciliations, and follow up on outstanding checks. In addition, prepare monthly lists of liabilities and reconcile the lists to the bank balance of all bond monies held, promptly investigate and resolve differences, and work with the city to investigate reasons for the large unidentified difference in the bond account. Further, routinely review the list of open bonds and disburse or dispose of monies as appropriate, implement procedures to ensure bond activity is posted to the case management system accurately and timely, determine the amount of restricted bond monies in the fines and fees account, and ensure bond monies are properly restricted.

Auditee's Response

The previous police department was disbanded. There was concern that the previous police department and other personnel did not adequately document all financial transactions and/or may not have properly followed procedures.

- 1.1 *In the past, the police department was intricately involved in receiving bond monies and documenting said transactions. Regarding any shortage in said bond accounts, please be advised*



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that the City of Wellston, under the current Mayor, conducted an internal investigation of the bond procedure process. As a result of that investigation in 2015, the city changed the process of how bonds were administered to comply with all applicable statutory requirements. The city and municipal court are in the process of reviewing policies and procedures and will comply with all applicable statutory requirements.

- 1.2 *The city and municipal court are in the process of reviewing policies and procedures, and fully intend to comply with all applicable statutory requirements.*

2. Accounting Controls and Procedures

Various accounting controls and procedures in the municipal division need improvement.

Municipal division fines and court costs are collected by the Court Clerk and transmitted to the City Bookkeeper for deposit into the city's fines and fees account. Cash bonds are collected by police personnel and transmitted to the Court Clerk and then transmitted to the City Bookkeeper for deposit into the city's bond account. During the year ended June 30, 2015, the municipal division collected and the city deposited into city accounts approximately \$419,600 in fines, court costs, and bonds.

2.1 Oversight

Neither the Municipal Judge nor city personnel perform adequate supervisory or independent reviews of court accounting functions and records. Proper segregation of duties within the municipal division is not possible because the Court Clerk is the only municipal division employee.

The Court Clerk is responsible for all duties related to collecting court monies, recording and posting payments received to the case management system, and preparing and transmitting deposits to the City Bookkeeper for deposit into city accounts. The City Bookkeeper performs a limited review of the municipal division transmittals, including recalculating the deposit slip total to ensure accuracy. For deposits that include cash payments of fines and court costs, the City Bookkeeper also compares the cash amount on the deposit slip to a daily payments report generated from the case management system. There are no procedures in place to account for the numerical sequence of receipt slips issued or compare the composition of receipt slips to the composition of monies transmitted.

Additionally, the city does not provide documentation to the municipal division detailing how court monies transmitted to the city for deposit were recorded in the city's accounting records. Without this documentation, the Court Clerk cannot compare amounts transmitted by the municipal division to amounts recorded by the city to confirm city records are in agreement with municipal division records. Monthly reconciliations between amounts



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recorded in the case management system and amounts recorded in city records are necessary to ensure proper accountability.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented thorough supervisory or independent reviews of accounting records.

2.2 Recording and transmittal procedures

Municipal division receipts were not transmitted intact or timely to the city for deposit, receipts were entered in the case management system in the wrong amounts, and refunds were not issued for overpayments. Our review of municipal division receipts and city deposit records identified the following issues.

- We performed a cash count on June 3, 2015, and noted a money order for \$120 that was receipted September 24, 2014, had not been deposited. The Court Clerk indicated she could not identify which case and/or defendant this payment was associated with and, as a result, could not determine how to post the payment in the case management system.
- Also, during our June 3, 2015 cash count, we noted a defendant submitted a \$50 money order that was receipted in the case management system on May 28, 2015, but only recorded for \$40. Additionally, we identified 4 other payments received during September 2014, January 2015, and May 2015 for which the total subsequent deposit was \$32.50 greater than the amounts recorded in the case management system. The Court Clerk explained the defendants made overpayments, but the court did not issue refunds.
- Bonds were not always deposited timely and/or intact. For example, bonds totaling \$16,165 received by the police department during October 2014 were not deposited until December 9, 2014. In addition, the Court Clerk indicated sometimes the officers would mistakenly place bonds in the evidence box instead of the bond box, and these bonds would not be discovered until the evidence box was opened.
- Money orders received for fines and court costs on December 24, 2014, totaling \$55 were not deposited into a city account until January 5, 2015. Money orders received for fines and court costs during the period January 16, 2015, to January 21, 2015, totaling \$1,795 were not deposited into a city account until January 26, 2015.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be transmitted intact and timely, and refunds



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should be promptly issued for any amounts overpaid. Additionally, all payments received should be entered in the case management system for the correct amount.

2.3 Speed camera receipts

The city did not require adequate detail from a vendor to ensure the city received all monies due. Also, the city and the vendor did not comply with the Missouri Department of Transportation's (MoDOT) policies governing use of speed cameras on state highways.

In October 2012, the city entered into a contract with a vendor to install speed cameras at several locations throughout the city. The vendor issued citations directly to the vehicle's owner of record and defendants were instructed to pay their citations through the municipal Violation Bureau (VB). The Court Clerk logged the payments as received, issued manual receipt slips to customers, accumulated the payments received, and transmitted monies to the vendor monthly. The vendor then issued monthly payments to the city in accordance with the contract, which required the vendor to provide the city with 60 percent of monies from paid citations. In addition to monies collected through the VB, the vendor also collected some payments directly from defendants through a web-based payment system. The city received revenues of approximately \$440,000 from the vendor from October 2012 through September 2014. The Court Clerk indicated the vendor ceased operations approximately October 2014, without providing advance notification to the city or municipal division. The Court Clerk was unable to provide an exact date the vendor stopped issuing citations or date the vendor removed the cameras from operation.

The VB collected \$430 in additional payments during October and November 2014 and deposited these monies into the city's fines and fees account in November 2014. Since city officials could not locate the vendor, they retained these monies and did not provide the vendor with its 40 percent share as required by the contract. It is unknown how much the vendor collected directly through the company's web-based payment system during this time period or when it stopped accepting payments from citations issued in Wellston.

The city should adequately monitor payments from vendors to ensure compliance with contract terms. The city did not have procedures in place to ensure the city received the correct amount of monies from the vendor based on the contractual terms and conditions. The vendor only provided a monthly summary report documenting the total number of citations issued, voided, or not issuable as well as the amount of fines paid and net fines due to the city. The city did not request more detailed information from the vendor as allowed by contract and, as a result, the city did not ensure the monthly payments received from the vendor were complete and accurate.



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The vendor did not submit payment for any monies collected during October 2014 or thereafter, if applicable.

In addition, the city and vendor did not comply with the MoDOT's policies governing use of speed cameras on state highways. The MoDOT's Automated Traffic Enforcement Policy, issued in 2011, only allows use of speed cameras on state highways if the enforcement area is a school zone, work zone, or Travel Safe Zone. In addition, this policy requires advance signage, a public awareness campaign, submission of annual reports to the MoDOT, and a contract between the MoDOT and the city. The Court Clerk confirmed one of the cameras had been operating at the intersection of a state highway and a city street. It is likely this area does not meet the criteria of being a school zone, work zone, or Travel Safe Zone. The contractual terms and conditions did not include any of the MoDOT requirements.

2.4 Timely disbursements

City officials did not disburse amounts collected for the Crime Victims Compensation Fund (CVC) and Peace Officer Standards and Training Commission (POST) surcharges monthly. The municipal division collects the CVC and POST surcharges of \$7.50 and \$1 on each case filed, respectively, and periodically transmits this money to the city for deposit; however, the city did not distribute these fees timely.

The city did not distribute the state's portion of CVC fees collected during the period July 2014 through March 2015 until April and May 2015, when approximately \$16,300 was distributed to the Missouri Department of Revenue (DOR). In addition, the city did not distribute POST fees collected during the period July 2014 through March 2015 until May 2015, when approximately \$2,200 was distributed to the Missouri State Treasurer.

Missouri Supreme Court Operating Rule 21.02 indicates state court costs collected by the municipal division should be disbursed within 30 days of receipt.

2.5 Disbursement errors

The Court Clerk did not accurately report the amount of CVC and POST surcharges collected to the city due to programming errors in the case management system, resulting in underpayments to the state of approximately \$2,250 for certain surcharges.

Amounts reported to the Office of the State Courts Administrator (OSCA) on the monthly Municipal Division Summary Reporting Form are generated directly from the case management system. However, the municipal division does not provide this report to the city. Instead, the municipal division generates a separate report from the case management system that lists totals of the various court fees and surcharges collected for each month. The city uses this report to determine the amount of fees and surcharges to disburse to other entities. The monthly totals by type of fee or surcharge did not always agree between the two reports.



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We compared these reports and actual disbursements for the year ended June 30, 2015, and noted \$19,730 and \$2,757 of CVC and POST collections, respectively, should have been remitted to the state; however, the city remitted \$17,500 and \$2,738. These reporting differences resulted in underpayments of \$2,230 and \$19, respectively. According to a representative of the vendor that operates the municipal division's case management system, the municipal division had established multiple classifications for the same court surcharges, which resulted in the errors on the monthly report provided to the city. The representative confirmed these issues would not have impacted the accuracy of the Municipal Division Summary Reporting Form submitted to OSCA.

To ensure accurate information is reported to the city, the municipal division should establish procedures to provide the city with accurate monthly reports. In addition, the municipal division's records for court cost collections should be reconciled with the related city disbursements to ensure proper amounts are disbursed to the state.

Recommendations

The City of Wellston Municipal Division:

- 2.1 Ensure documented thorough independent or supervisory reviews of municipal division accounting records are periodically performed. In addition, work with the city to ensure monies transmitted to the city are reconciled with deposits recorded in the city's accounting records.
- 2.2 Ensure receipts are transmitted intact and timely. Additionally, ensure receipts are entered in the case management system at the correct amount and promptly issue refunds for overpayments.
- 2.3 Monitor for compliance with contract terms to ensure the city has received all monies due. If speed cameras are placed back in operation by a vendor, ensure the vendor and the city are in compliance with MoDOT policies governing the use of the cameras on state highways.
- 2.4 Work with the city to ensure court fees are disbursed within 30 days of receipt.
- 2.5 Ensure CVC and POST monthly distributions are correct and work with the city to ensure additional amounts due are remitted to the state.

Auditee's Response

- 2.1 *Currently, the city and municipal court are in the process of re-evaluating bond procedures. Much of the previously mentioned shortage occurred prior to the current administration taking office.*



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The city fully intends to comply with all applicable statutory requirements.

- 2.2 *Due to budgetary constraints and a shortage of staff, some financial transactions were not properly documented, recorded, and/or disbursed in a timely manner.*
- 2.3 *In regard to fees due to the City of Wellston from speed cameras, other courts have determined that said cameras were not lawful, and therefore, we believe attempts to collect monies from unlawful cameras would not have been appropriate.*
- 2.4 *The city and municipal court are in the process of reviewing policies and procedures and fully intend to comply with all applicable statutory requirements.*
- 2.5 *The city and municipal court are in the process of reviewing policies and procedures regarding CVC and POST monthly distributions and fully intend to comply with all applicable statutory requirements.*

3. Municipal Division Procedures

Various municipal division procedures need improvement.

3.1 Accrued costs

The Court Clerk does not periodically review accrued costs owed to the municipal division. The case management system tracks accrued costs and can produce a report of balances due; however, the Court Clerk does not print and review this report to identify cases needing additional collection efforts or are potentially uncollectible. As of February 29, 2016, accrued costs recorded in the case management system totaled approximately \$793,600.

Proper and timely monitoring of receivables is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for non-payment. In addition, proper monitoring is necessary to provide information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible.

3.2 Implementation of Municipal Judge's court order

The municipal division has not taken timely or appropriate actions to implement a court order issued by the Municipal Judge in 2015 and, as a result, the municipal division's caseload remains very high, the city is not able to collect monies owed timely, and the Municipal Judge's intent to change the practices of the court in response to Senate Bill 5 (effective August 28, 2015) has not been met.



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The Municipal Judge issued a court order on August 20, 2015, which requires the municipal division to (1) request the DOR to set aside any driver license suspensions previously imposed, (2) recall all warrants for defendants who have pled guilty or been found guilty and have unpaid fines and court costs, (3) recall all other arrest warrants issued prior to the effective date of the order, (4) issue a show cause summons to any defendants who had their warrant recalled, and (5) dismiss all pending charges of failure to appear. In addition, the Municipal Judge further ordered (6) case reviews to be conducted for all defendants with unpaid fines and court costs to include consideration of alternate case dispositions such as payment plans, community service, and/or commuting fines for indigent defendants.

As of April 30, 2016, the municipal division's records indicated there were 36,229 cases pending disposition and 21,155 active warrants. Of the six tasks defined in the court order, task number 5 has been fully implemented; task numbers 1 and 6 have not been implemented; and task numbers 2, 3, and 4 have been partially implemented.

Regarding tasks number 2 and 3 in the court order, the Court Clerk indicated about 5,000 warrants were recalled by the policing cooperative in late 2015; however, this information was not recorded in the municipal division's case management system and was only recorded in the case management system used by the police cooperative. Additionally, the warrants recalled only included warrants entered in the North County Police Cooperative's system after May 2015, and the cooperative's officers cannot view the warrants that are only in the municipal division's case management system. The warrants recalled only represent a small portion of the total warrants that should have been recalled if the municipal division had fully implemented the court order. The Court Clerk did not maintain a list or other documentation of the warrants recalled by the police cooperative. Regarding task 4, the Court Clerk estimated between 500 and 1,000 defendants have been issued show cause letters and new court dates. However, the Court Clerk indicated she has no formal method of tracking the progress of implementation, and she works on this project as time allows. The Court Clerk indicated only minimal progress had been made on the other directives in the court order due to staffing limitations.

Proper and timely implementation of the Municipal Judge's court order is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for non-payment. In addition, proper and timely implementation is necessary to ensure the municipal division's docket is reduced and to ensure the Municipal Judge's intent to change court practices is met. The court order indicates the Municipal Judge's intent is to comply with Senate Bill 5 (effective August 28, 2015) and changes to Supreme Court Rule 37.65 (effective July 1, 2015).



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3.3 Dismissed cases

The municipal division regularly collects court costs, fees, and surcharges on dismissed cases, in violation of state law. The practice of the Court Clerk is to record cases as dismissed upon payment of court costs (DOPC) as directed by and at the discretion of the Municipal Judge, based on circumstances. For DOPC cases, the defendant is not required to enter a plea, no fine is assessed, and no record of conviction is entered. During the year ended June 30, 2015, the municipal division recorded 1,006 cases as DOPC that generated approximately \$25,000 in revenues. In addition, the municipal division routinely entered DOPC for speed camera citations if a defendant appeared in court and requested dismissal by the Municipal Judge. Because division personnel do not enter these citations into the case management system the total number of citations that were DOPC and the related revenues generated could not be determined.

Prior to August 28, 2015, various statutory provisions including 488.607, 488.5336.1, and 595.045.1, RSMo, prohibited collection of surcharges or fees including Domestic Violence, Law Enforcement Training, and Crime Victims' Compensation in any proceeding in any court when the proceeding or the charges have been dismissed by the court. Effective August 28, 2015, Section 479.353(5), RSMo, prohibits the assessment of court costs if the case is dismissed.

3.4 Restricted funds

The city and the municipal division have little assurance that certain court surcharges were properly used in compliance with state law. The city did not establish a separate fund and/or accounting for monies collected for the domestic violence surcharge or biometric verification surcharge, is not accounting for the monies collected and expended, does not know what has been spent or the remaining balance, cannot demonstrate that these monies were used for statutorily intended purposes, and did not properly authorize these surcharges.

Domestic violence surcharge For the fiscal year ended June 30, 2015, the city deposited domestic violence surcharge monies totaling \$4,727 into the fines and fees bank account. The municipal division assessed this \$2 surcharge on cases filed through April 2015, when the fee was discontinued. In April 2015, the municipal division enacted a new VB schedule to better standardize fines and court costs with other municipal courts in the Twenty-First Judicial Circuit and, as part of this change, the court eliminated the domestic violence surcharge and began assessing the biometric verification surcharge. While the Municipal Judge authorized establishing a new Violation Bureau schedule of fines and costs, we could not find in city records that the City Council ever approved assessment of the domestic violence surcharge.

Section 488.607, RSMo, provides that a city shall use such monies only for the purpose of providing operating expenses for shelters for battered persons. City officials indicated the city did not provide any funding to such



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a shelter in fiscal year 2015. The city has collected the domestic violence surcharge for years and city records do not clearly indicate whether those monies have been distributed to domestic violence shelters in prior years. The balance in the account into which this surcharge is placed is insufficient to indicate accumulated surcharge collections remain on hand.

Biometric verification
surcharge

For the fiscal year ended June 30, 2015, the city deposited biometric verification surcharge monies totaling \$574 into the fines and fees bank account. The municipal division began assessing this \$2 surcharge on new cases filed starting in April 2015. The city has not established a separate fund for these monies as required by statute.

Section 488.5026.3, RSMo, requires establishment of an Inmate Prisoner Detainee Security Fund and provides requirements concerning the usage of biometric verification fee funds and allowable uses include acquisition and development of a biometric verification system; maintenance, repair, and replacement of the information sharing or biometric verification system; and any expenses related to detention, custody, and housing and other expenses for inmates, prisoners, and detainees.

The city no longer has a city-operated police department but the Court Clerk indicated the city intends to provide these monies to the contracted policing cooperative. Such a distribution would be allowable if the cooperative uses the monies in accordance with statutory requirements. However, none of the monies have been disbursed to the police cooperative as of May 2016. Also, the contract between the city and the cooperative does not include any provisions relating to this surcharge.

Establishment of surcharges

The City Council has not approved an ordinance or otherwise authorized the municipal division to collect certain surcharges, including the biometric verification surcharge and law enforcement training surcharge.

Section 488.5026.1, RSMo, requires the biometric surcharge be approved by the governing body of a municipality. Section 488.5336 requires the law enforcement training surcharge be authorized by the municipal government. If the city intends to continue collecting these surcharges, they should be properly authorized.

Conclusion

To ensure compliance with applicable state laws, separate funds and/or accounting of receipts and related disbursements associated with specific activities or restricted usage should be maintained, and surcharges assessed by the court should be properly authorized.

3.5 Ticket accountability

The city police department and the municipal division did not adequately account for the numerical sequence or ultimate disposition of all traffic tickets issued. Additionally, the municipal division has not established



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similar procedures to ensure ticket accountability for the current policing cooperative. At our request, the Court Clerk generated a comprehensive sequential list of all tickets filed with the municipal division during the year ended June 30, 2015.

As previously noted, a policing cooperative took over policing duties in June 2015. The assigned officers issue tickets that are prosecuted through the municipal division. Officers of the policing cooperative stated when the cooperative took over police duties they found various partially used ticket books and overall ticket book disorganization.

The municipal division does not maintain a log documenting the electronic or manual tickets received from the police cooperative. Before and after the disbanding of the police department, police officers issued both electronic and manual tickets that are manually submitted to the municipal division for processing. The policing cooperative has future plans to convert to a fully electronic system that will automatically populate tickets issued to the case management system. However, there are currently no procedures to account for the numerical sequence of all tickets issued or to ensure all tickets issued have been provided to the municipal division.

Without properly accounting for the numerical sequence and ultimate disposition of tickets issued, the police cooperative and municipal division cannot ensure all tickets are properly submitted for processing.

3.6 Municipal division records

Municipal division records are not maintained in an accurate, complete, and organized manner. The Court Clerk documents case information for each defendant on backer sheets kept in manual case files as well as computerized docket sheets maintained in the case management system. However, for 54 of 60 cases (90 percent) reviewed, case activity (court continuances, warrant, and/or bond activity) information did not agree between manual and electronic records.

Supreme Court Operating Rule 4.08 requires municipal divisions to maintain a docket or backer sheet for each case. All information regarding the case should be documented including, but not limited to, a copy of the ticket, case number, defendant name, sentence, bond information, warrant information, and disposition of the case. Accurate recording of the case information is necessary to properly account for the municipal division's financial activity. Failure to implement adequate case entry procedures increases the risk that loss, theft, or misuse of funds will go undetected and municipal division records will contain errors.

3.7 Case dispositions

The Municipal Judge does not approve the final disposition of cases brought before the court and does not review and approve traffic and ordinance violation tickets paid through the VB. Additionally, the Municipal Judge's



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approval of amended or dismissed tickets is not documented. Our review of 41 tickets included 9 amended tickets and 8 dismissed tickets (5 dismissed on payment of court costs and 3 nolle prosequi). The ability of the Court Clerk to amend and dismiss tickets without a documented review is a significant control weakness, and increases the likelihood of tickets being handled improperly and the risk of loss, theft, or misuse of monies going undetected.

The Court Clerk records the case activity and final disposition of each case on the official docket sheets maintained electronically in the case management system, but does not print the final docket for the Municipal Judge's review and approval.

To ensure the proper disposition of all cases has been entered in the municipal division records, the Municipal Judge should sign the final docket to indicate approval of the recorded disposition.

3.8 Prosecutor approval

The Prosecuting Attorney does not sign tickets processed by the municipal division.

Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the municipal division. The Prosecuting Attorney's review, documented with his signature, is needed to provide assurance proper cases and charges are filed with the municipal division.

3.9 Fines and court costs

The municipal division does not always assess fines and court costs in accordance with the VB schedule. The VB schedule shows the standard fines and court costs for violations payable through the VB prior to the court date. In addition, the Court Clerk does not ensure there is documentation to explain reasons for assessing other than standard fines and court costs.

In 3 of 21 (14 percent) cases we reviewed, amounts recorded in the system as the amounts assessed for fines and costs did not agree with the VB schedule. For example, one defendant was assessed fines and costs for \$135 less than the amount listed for the violation on the VB schedule. In another case, the fine and costs assessed for the violation were \$85 less than the amount listed on the VB schedule. The Court Clerk could not provide an explanation for these discrepancies.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to ensure standard fines and court costs are collected through the VB, and any changes in assessed fines and court costs are approved by the Municipal Judge and properly recorded in the case management system.



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Recommendations

The City of Wellston Municipal Division:

- 3.1 Establish procedures to routinely generate and review the accrued costs list, and ensure proper follow up on amounts due, and provide information to and work with the Municipal Judge regarding amounts deemed uncollectible.
- 3.2 Ensure proper and timely actions are taken to fully implement the court order issued by the Municipal Judge. The city should consider resources and procedures needed to efficiently implement the judge's order.
- 3.3 Assess surcharges in accordance with state law.
- 3.4 Work with the city to ensure surcharges collected for restricted purposes are adequately tracked or deposited into separate bank accounts, and expended for statutorily allowed purposes. Also work with city to establish an order or ordinance authorizing collection of the biometric verification surcharge and law enforcement training surcharge or discontinue collecting the surcharges. Additionally, if the surcharges are authorized, the city should create a separate Inmate Prisoner Detainee Security Fund and deposit all biometric verification surcharge monies into this fund as required by statute.
- 3.5 Work with the police cooperative to ensure the numerical sequence of all tickets issued is accounted for and all tickets submitted to the municipal division are accounted for properly.
- 3.6 Ensure the proper disposition of cases is documented in manual and electronic records and sufficient documentation is maintained to support all case actions.
- 3.7 Ensure the Municipal Judge signs all court dockets and reviews and approves all amended and dismissed tickets.
- 3.8 Ensure the Prosecuting Attorney signs all tickets.
- 3.9 Develop procedures to ensure fines and court costs assessed agree to the standard fines and court costs, plea agreement, or the Municipal Judge's orders. In addition, ensure changes to assessed fines and court costs contain a documented approval by the Prosecuting Attorney or the Municipal Judge and are properly posted to the case management system.



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Auditee's Response

- 3.1 *The city and municipal court are in the process of reviewing policies and procedures and fully intend to comply with all applicable statutory requirements.*
- 3.2 *Due to budgetary constraints and a shortage of staff, some unpaid fines were not pursued, and there was not sufficient staff to fully implement the Municipal Judge's order dated August 20, 2015.*
- 3.3 *The city and municipal court are in the process of reviewing policies and procedures, and fully intend to comply with all applicable statutory requirements.*
- 3.4 *The city and municipal court will work together to determine for what period the domestic violence surcharge was collected but not remitted and determine how to proceed. Also, we will work together to seek the City Council's authorization to collect the biometric and LET surcharges. The city and municipal court are working with the North County Cooperative Police Department to ensure all biometric verification surcharge monies are used appropriately.*
- 3.5 *The previous police department, which failed to adequately account for the numerical sequence of tickets, has been disbanded. The city and municipal court will work with the current police department to account for the traffic tickets and their disposition. The municipal division will improve its sequential documenting of tickets.*
- 3.6 *Municipal court staff will make a greater effort to ensure that case activity between manual records and electronic records is consistent.*
- 3.7 *Currently, the Municipal Judge approves all cases disposed through the courts. All court dispositions are currently documented.*
- 3.8 *The Municipal Court Prosecutor will sign all tickets.*
- 3.9 *Staff shortages resulted in several financial transactions not being properly documented. Fines received through the violation bureau are consistent with the pre-approved payment schedule. Payments received through the violation bureau in the future will be approved by the appropriate personnel.*

4. Monitoring of Excess Revenues

The municipal division does not have procedures in place to identify minor traffic violation tickets and the associated fines and court costs collected. This information is needed so that the city can accurately calculate whether the city has excess revenues due to the DOR. In addition, the city's procedures to calculate whether excess revenues are due to the DOR are not



Twenty-First Judicial Circuit
City of Wellston Municipal Division
Management Advisory Report - State Auditor's Findings

adequate to ensure compliance with state law. While the city calculated no excess revenues were due to the DOR for the fiscal year ended June 30, 2015, the city's calculation was inaccurate.

The city's excess revenue calculation for the year end June 30, 2015, indicates court revenues totaled \$298,471 or 11 percent of revenues, and city officials believe they are in compliance with the requirements of the statute. However, our review of city data indicated the total general operating revenue reported by the city for use in its excess revenue calculation is misstated. The city included restricted revenues from state motor vehicle taxes and fees, capital improvement sales tax, sewer lateral fees, restricted police training funds, interfund transfers, bonds not yet applied or forfeited, and restricted court surcharges in the general operating revenue amount reported. These restricted revenues should be excluded from general operating revenues used in the calculation of excess revenues.

Additionally, the revenues from traffic violations used by the city in its excess revenue calculation were not accurate. Traffic violation revenues reported by the city improperly included restricted court surcharges and fines related to ordinance violations and non-traffic violations. State law, as it existed prior to August 28, 2015, allows the city to exclude revenues from most non-moving violations when determining total traffic violation revenues, except for those revenues related to tickets amended from a moving violation. Based on discussions with the vendor who provides the municipal division's case management system, the system is capable of generating a report that would provide the necessary information to identify which court revenues should be considered in fines and court costs related to minor traffic violations under state law; however, the municipal division has not worked with this vendor to properly program the system to generate this report.

The city does not does not prepare detailed financial statements and cannot provide adequate detail on revenue sources and amounts needed to calculate general operating revenues. As a result, we could not determine the specific amounts misstated in the city's calculation of excess revenues. City and court officials do not have a process in place to identify minor traffic violations and the related fines and costs and do not adequately understand how to differentiate restricted revenues from general operating revenues. We noted the city's financial reports filed with the State Auditor's Office in September 2015 reported total city revenues of approximately \$2.8 million for the year ended June 30, 2015, while a report (unaudited) prepared for the city by an independent CPA firm after September 2015 reported total city revenues of approximately \$1.6 million, a difference of about \$1.2 million. While neither of these amounts represent general operating revenues, the significant difference further indicates there are errors in the city's calculation.



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Management Advisory Report - State Auditor's Findings

Section 302.341.2, RSMo (as it existed from August 28, 2013 to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations in its annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR.

Effective August 28, 2015, Senate Bill 5 (SB 5) changes the excess revenues requirements. Section 479.350, RSMo, provides new definitions for elements of the excess revenues calculation. Section 479.359.1, RSMo, requires cities to annually calculate the percent of general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations, and send any excess revenues to the DOR. Section 479.359.2, RSMo, reduces the amounts of these revenues the city may retain in the future.

Due to the impact of these provisions on operations of the municipal division and the city, it is important the city and municipal division take immediate action to implement policies and procedures to ensure future compliance with state law.

Recommendation

The City of Wellston Municipal Division implement a procedure to identify minor traffic violations and the related fines and costs, and work with the city to ensure the accuracy of annual excess revenues calculations. Additionally, the Wellston City Council should recalculate excess revenues for fiscal year 2015 and make payment to the DOR, if appropriate, for any excess revenues identified. Further, the city should maintain adequate documentation to support excess revenues calculations.

Auditee's Response

The municipal division will put in place a mechanism to identify minor traffic violation tickets, the associated fines, and court costs. This will allow the city to accurately determine whether excess revenues are due to the appropriate governmental entity. The city will work to improve its documentation of financial records.

5. Records and Reporting

The former City of Wellston Police Department did not submit annual vehicle stops data to the Attorney General's Office (AGO) as required by state law. In addition, the monthly reports submitted to the OSCA were not complete and accurate, the Court Clerk did not file a monthly report of cases heard with the city as required, and the court could not locate some case records.

5.1 Vehicle stops reporting

The City of Wellston Police Department did not submit annual vehicle stops data to the AGO as required by state law, and had not done so since 2010.

The Wellston Police Department was disbanded in June 2015 and policing services are now provided on a contractual basis by the North County



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Management Advisory Report - State Auditor's Findings

Policing Cooperative. The cooperative is now responsible for submitting the vehicle stops data for the cities who have joined the cooperative, as required by law. According to city officials, the vehicle stops data for 2011 to 2014 is no longer accessible because the city discontinued use of the software previously utilized by officers to record certain ticket data, including data that would be needed to prepare the vehicle stops report.

Section 590.650.2, RSMo, requires law enforcement agencies to submit stops data to the AGO annually.

5.2 OSCA reports

The Court Clerk did not submit accurate monthly reports of municipal division activity to the OSCA.

The Court Clerk generates the monthly Municipal Division Summary Reporting Form from the case management system, showing caseload information, warrant information, and collection amounts entered into the case management system. Some collection amounts were not included in the report because they were not entered into the case management system. Reported amounts did not include bond processing fees and the city's share of speed camera tickets from a third party vendor, both of which have been discontinued. As a result, collections reported to the OSCA for the year ended June 30, 2015, were understated by about \$68,500, comprised of approximately \$3,700 in bond processing fees and \$64,800 in speed camera revenues.

Missouri Supreme Court Operating Rules 4.28 and 4.29 and OSCA instructions require monthly reports of case information be submitted to the OSCA. Reports are to be submitted by the 15th of the month following the reporting month and include all activities that have occurred since the last report. To ensure accurate information is reported to the OSCA, the municipal division should establish procedures to generate accurate monthly Municipal Division Summary Reporting Forms. Such procedures should include ensuring monthly reports include all activities of the entire month, including any collections not entered in the case management system.

5.3 Report of cases heard

The Court Clerk did not file a monthly report of cases heard with the city. Without such a report, the city cannot effectively monitor municipal division activity and ensure monies are properly remitted.

The Court Clerk submits a monthly summary of court revenue collections to the city; however, this report does not comply with state law. The report does not provide information by case including the names of the defendants and fines, court costs, and fees imposed.

Supreme Court Operating Rule 4.29 and Section 479.080.3, RSMo, require the Court Clerk to prepare a monthly report of all cases heard in the



Twenty-First Judicial Circuit
City of Wellston Municipal Division
Management Advisory Report - State Auditor's Findings

municipal division court. The report is to be verified by the Court Clerk or Municipal Judge and filed with the city.

5.4 Missing records

Some case records could not be located. Twenty-two case files requested by auditors could not be located.

Supreme Court Operating Rule No. 8 contains requirements for case record retention. Retention of applicable records is necessary to properly account for the municipal division's case and financial activity.

Recommendations

The City of Wellston:

- 5.1 Work with the policing cooperative to ensure vehicle stops data is submitted annually to the AGO and accurate records are maintained to support the vehicle stops information submitted.

The City of Wellston Municipal Division:

- 5.2 Establish procedures to ensure the accuracy of monthly Municipal Division Summary Reporting forms.
- 5.3 Ensure a monthly report of cases heard in the municipal division is prepared and filed with the city in accordance with state law and Supreme Court Operating Rule.
- 5.4 Ensure financial records are retained in accordance with court operating rules.

Auditee's Response

- 5.1 *The City of Wellston Police Department has been disbanded. The North County Police Cooperative now provides police services for the City of Wellston. The City will require the North County Police Cooperative to comply with all reporting laws and regulations.*
- 5.2 *The Municipal Court Clerk will comply with all monthly OSCA reporting requirements.*
- 5.3 *The city and municipal court are in the process of reviewing policies and procedures, and fully intend to comply with all applicable laws and Supreme Court Operating rules.*
- 5.4 *The city and municipal court are in the process of reviewing policies and procedures and fully intend to comply with all applicable laws and Supreme Court Operating rules. The Court Clerk will also improve safekeeping of all court files.*

Twenty-First Judicial Circuit

City of Wellston Municipal Division

Organization and Statistical Information

The City of Wellston Municipal Division is in the Twenty-First Judicial Circuit, which consists of St. Louis County. The Honorable Maura B. McShane serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. The municipal division does not utilize OSCA's statewide automated case management system known as JIS. Instead, the municipal division utilizes Integrated Metropolitan Docketing System, an automated case management system provided by Regional Justice Information Services, which has been approved for use in municipal divisions by the State Judicial Records Committee.

Personnel

At June 30, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge ¹	Timothy Smith
Court Clerk	Imogene Dooley

¹ Charles Kirksey served as Municipal Judge until he resigned in February 2015, and Timothy Smith was subsequently appointed by the Mayor and confirmed by the City Council in May 2015.

Financial and Caseload Information

	Year Ended June 30, 2015
Receipts	\$419,584
Number of tickets issued	5,279 ¹

¹ Includes 3,986 tickets entered in the case management system and 1,293 paid speed camera citations. The count does not include speed camera citations dismissed upon payment of court costs, though the city retained 100 percent of those revenues.

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 12.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelter ¹	2.00
Biometric Verification System ¹	2.00
Bond Processing Fee ²	10.00
Warrant Recall Fee ³	50.00

¹ In April 2015, the Municipal Division stopped assessing the Domestic Violence surcharge and began assessing the Biometric Verification System surcharge.

² The Wellston Police Department stopped collecting this fee in March 2015.

³ The Municipal Division stopped assessing this fee in January 2015.



Twenty- First Judicial Circuit
City of Wellston Municipal Division
Organization and Statistical Information

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stops data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public-safety/2015agencyreports.pdf?sfvrsn=2>. The following table presents data excerpted from the AGO report for the City of Wellston Police Department. In addition, see information at <https://ago.mo.gov/home/vehicle-stops-report/2015-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

As noted in MAR finding number 5.1, the Wellston Police Department has not submitted vehicle stops data to the AGO since 2010 and was disbanded in June 2015. The North County Police Cooperative submitted the data for 2015, utilizing a combination of data from the former City of Wellston Police Department and the cooperative's own data.

Racial Profiling Data/2015 - Wellston Police Department - Population 1,572¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	761	83	655	9	7	0	7
Searches	126	5	113	5	2	0	1
Arrests	115	3	106	3	2	0	1
Statewide Population %	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population %	N/A	3.24	94.91	0.51	0.13	0.19	1.02
Disparity Index ²	N/A	3.36	0.91	2.32	7.23	0.00	0.90
Search Rate ³	16.56	6.02	17.25	55.56	28.57	#Num!	14.29
Contraband hit rate ⁴	47.62	20.00	48.67	40.00	100.00	#Num!	0.00
Arrest rate ⁵	15.11	3.61	16.18	33.33	28.57	#Num!	14.29

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#Num! indicates zero denominator

Twenty-First Judicial Circuit
City of Wellston Municipal Division
Supporting Documentation - Comparison of Bond Receipts to Transmittals and Deposits

Receipt Month		A Bond Receipts	B Bond Transmittals	C Amount Deposited	D Surplus/(Shortage) Transmittal	E Surplus/(Shortage) Deposit
July 2014	\$	11,750	12,380	12,380	630	630
August 2014	F	7,540	6,930	6,930	(610)	(610)
September 2014		13,865	13,988	13,988	123	123
October 2014		16,375	16,165	16,165	(210)	(210)
November 2014		4,596	4,666	4,398	70	(198)
December 2014		8,850	8,840	8,370	(10)	(480)
January 2015		9,050	7,630	6,710	(1,420)	(2,340)
February 2015		13,440	13,435	12,105	(5)	(1,335)
March 2015		12,370	12,270	11,960	(100)	(410)
April 2015		14,017	14,017	14,017	0	0
May 2015		5,580	5,580	5,580	0	0
June 2015		2,600	2,900	2,800	300	200
	\$	120,033	118,801	115,403	(1,232)	(4,630)

- A This column represents the sum of amounts recorded in the former police department's and current policing cooperative's bond log, less the \$10 per bond processing fee (discontinued March 2015) that was not deposited in the bond account and was instead deposited in the city's general revenue fund.
- B This column represents the sum of cash, check, and credit card amounts listed on the monthly transmittal sheet. This information was formerly prepared by the City of Wellston Police Department and is now prepared by the North County Policing Cooperative.
- C This column includes deposits to the bond account as well as bonds paid by credit card that we could verify were deposited in the fines and fees account.
- D These are the amounts receipted but not transmitted to the municipal division by the police department and police cooperative.
- E As noted in MAR finding number 1.1, \$3,398 was recorded on the police department's transmittal sheet as relating to bonds paid by credit card that we could not trace to a deposit due to lack of records. If this amount was deposited in the fines and fees account as the transmittal sheet indicates, the actual shortage would be \$1,232 (see column D).
- F As noted in MAR finding number 1.1, we identified a \$250 cash bond that was not recorded in the bond log but was recorded in the case management system; therefore, we added it to the bond log total.



Office of Missouri State Auditor
Nicole Galloway, CPA

Park Hill School District

Student Data Governance



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Cyber Aware School Audit of the Park Hill School District

Background

The Park Hill School District's Student Data Governance Audit was completed as part of the Cyber Aware School Audits Initiative. These audits are designed to assess the effectiveness of privacy and security controls with a focus on identifying practices to improve the security of information school districts have on students and their families. The district uses a student information system (SIS) to maintain student data and to track and monitor academic progress. The SIS maintains private and confidential data, such as assessment test scores and other sensitive data. Additional systems and applications that maintain data are used for administrative functions and to enhance student productivity and classroom collaboration. The district relies extensively on computerized systems to support its educational and mission-related operations and on information security controls to protect the sensitive data residing on those systems. Auditors identified areas where improvements are needed but also found the district has developed certain controls to establish a safe environment for using technology, including promoting online safety, security, and confidentiality.

User Accounts

The district has not fully established controls for maintaining user accounts for accessing system resources. While certain procedures for removing access are in place, the district has not documented or fully established policies and procedures for disabling or removing user accounts timely after a user terminates. As of June 2016, three former district employees still had access to district systems and information 30 or more days after leaving the district. In addition, the district does not proactively monitor for student information system user accounts that have not been accessed or used for a specified period of time.

Security Controls

The district has not implemented all necessary security controls, leaving technology assets, including personally identifiable information, at risk of inappropriate access, use, and disclosure. The district has not formally appointed any specific personnel to serve as security administrator or formally assigned responsibility for creating, implementing, and maintaining security policies and procedures. Additionally, the district has not established adequate password controls to reduce the risk of unauthorized access to computers and data. Without documented and approved policies and procedures, management lacks assurance that security controls are appropriate and properly applied.

Because of the nature of this report, no overall rating is provided.

All reports are available on our Web site: auditor.mo.gov

Park Hill School District Student Data Governance

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Board of Education
Park Hill School District

Due to increasing concerns for protecting the security and privacy of information schools maintain on students and the continued emergence of cyber threats, we have audited the Park Hill School District's student data governance program in fulfillment of our duties under Chapter 29, RSMo. This audit was conducted as part of the State Auditor's Cyber Aware School Audits Initiative and focused on evaluating the effectiveness of the data governance program, including identifying cybersecurity safeguards and privacy controls that help schools improve the security of student data.

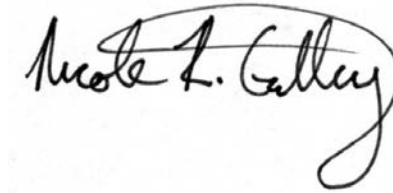
The objectives of our audit were to:

1. Evaluate the effectiveness of privacy plans and controls for safeguarding personally identifiable information.
2. Evaluate the effectiveness of information security controls for protecting the confidentiality, integrity, and availability of significant systems and information technology resources.
3. Evaluate compliance with certain legal provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) the need to fully establish certain privacy controls, (2) the need to fully establish certain information security controls for protecting the confidentiality, integrity, and availability of significant systems and information technology resources, and (3) no significant noncompliance with legal provisions.

The accompanying Management Advisory Report presents our findings arising from our audit of the Park Hill School District's student data governance program.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Jeffrey Thelen, CPA, CISA
In-Charge Auditor:	Patrick M. Pullins, M.Acct., CISA
Audit Staff:	Anh Nguyen

Park Hill School District Student Data Governance

Introduction

Background

The Park Hill School District Student Data Governance Audit was completed as part of the Cyber Aware School Audits Initiative. These audits are designed to assess the effectiveness of privacy and security controls with a focus on identifying practices to improve the security of information school districts have on students and their families.

The district uses a student information system (SIS) to maintain student data and to track and monitor academic progress. The SIS maintains private and confidential data, such as assessment test scores and other sensitive data. The district uploads various student data maintained in the SIS to the Department of Elementary and Secondary Education (DESE), Missouri Student Information System (MOSIS) Data Collection component periodically throughout the year. The MOSIS Data Collection component is used to collect student-level data from school districts for processing and reporting. Data submitted by the district includes elements such as enrollment and attendance, demographics, performance information, and college and career data used for evaluating the success and achievements of students. The district also uses a financial accounting system and a network management system for administering user access to various district resources. Other systems and applications are used for administrative functions and to enhance student productivity and classroom collaboration.

Cyber threats continue to emerge and evolve

As connectivity of business activity increases and organizations become increasingly dependent on technology, including computerized systems and electronic data, no school district is exempt from cyber threats, vulnerabilities, and privacy exposures. As a result, it is important to view information security and privacy as a business issue rather than strictly an information technology issue. Security threats, vulnerabilities, and privacy exposures challenge every organization, creating data protection and privacy risks that must be understood, addressed, and managed.

The National Institute of Standards and Technology (NIST) defines cybersecurity as the process of protecting information by preventing, detecting, and responding to attacks¹ while ISACA states cybersecurity encompasses all that protects enterprises and individuals from intentional attacks, breaches and incidents as well as the consequences.² Cybersecurity should be aligned with all other aspects of information security, including governance, management, and assurance. The state of being secure requires maintenance and continuous improvement to meet the needs of stakeholders and the demands of emerging cyber threats.

¹ National Institute of Standards and Technology, Framework for Improving Critical Infrastructure Cybersecurity, Version 1, February 2014, is available at <<http://www.nist.gov/cyberframework/upload/cybersecurity-framework-021214-final.pdf>>.

² ISACA Cybersecurity Nexus, Transforming Cybersecurity, 2013.



Park Hill School District Student Data Governance Introduction

In the 2015 High-Risk Series³ update, the Government Accountability Office (GAO) expanded the scope of the information security high-risk area to include protecting the privacy of personally identifiable information (PII).⁴ The GAO expanded this risk area due to the challenges of ensuring the privacy of PII created by advances in technology. Technology advances, such as lower data storage costs and increasing interconnectivity, have allowed both government and private sector agencies to collect and process extensive amounts of PII more effectively. Risks to PII can originate from unintentional and intentional threats. These risks include insider threats from careless, disgruntled, or improperly trained employees and contractors; the ease of obtaining and using hacking tools; and the emergence of more destructive attacks and data thefts.

Technology advances, combined with the increasing sophistication of individuals or groups with malicious intent, have increased the risk of PII being compromised and exposed. Correspondingly, the number of reported security incidents involving PII in both the private and public sectors has increased dramatically in recent years. At the same time, school districts are increasingly reliant on technology and information sharing to interact with students and parents and to deliver essential educational services. As a result, the need to protect information, including PII, against cyber threats is increasingly important.

The Privacy Rights Clearinghouse⁵ recorded breaches at kindergarten through grade 12 (K-12) educational institutions/school districts in the United States occurring during 2005 through 2015, potentially disclosing over 580,000 records of personal information.⁶ These breaches include only those made public and the data reflects three data breach incidents at Missouri public school districts.

³ Report GAO-15-290, Report to Congressional Committees, High-Risk Series An Update, February 2015, is available at <<http://www.gao.gov/assets/670/668415.pdf>>.

⁴ According to the Family Educational Rights and Privacy Act (FERPA), personally identifiable information (PII) includes, but is not limited to (a) the student's name; (b) the name of the student's parent or other family members; (c) the address of the student or student's family; (d) a personal identifier, such as the student's social security number, student number, or biometric record; (e) other indirect identifiers, such as the student's date of birth, place of birth, and mother's maiden name; and (f) other information that, alone or in combination, is linked or linkable to a specific student that would allow a reasonable person in the school community, who does not have personal knowledge of the relevant circumstances, to identify the student.

⁵ The Privacy Rights Clearinghouse is a nonprofit corporation whose mission is to engage, educate, and empower individuals to protect their privacy by raising awareness of how technology affects personal privacy.

⁶ Privacy Rights Clearinghouse, Chronology of Data Breaches, is available at <<http://www.privacyrights.org/data-breach>>. We downloaded a file containing all breaches and filtered the results to include only data breaches occurring at K-12 educational institutions.



Park Hill School District Student Data Governance Introduction

Data governance

According to the U.S. Department of Education, Privacy Technical Assistance Center (PTAC),⁷ data governance is an organizational approach to data and information management that is formalized as a set of policies and procedures encompassing the full life cycle of data, from acquisition to use to disposal. It includes establishing policies, procedures, and standards regarding data security and privacy protection, data inventories, content and records management, data quality control, data access, and data sharing and dissemination. Establishing a comprehensive data governance program helps ensure confidentiality, integrity, and availability of data and information by reducing data security risks due to unauthorized access or misuse of data.

Security and privacy controls

According to accepted standards, security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system to protect the confidentiality, integrity, and availability of a system and its information. Confidentiality refers to preserving authorized restrictions on information access and disclosure, including the means for protecting personal privacy and proprietary information. Integrity relates to guarding against improper information modification or destruction, and availability ensures timely and reliable access to and use of information. Effective privacy controls depend on the safeguards employed within the information system that is processing, storing, and transmitting PII and the environment in which the system operates. Organizations cannot have effective privacy without a basic foundation of information security. Without proper safeguards and controls, information systems and confidential data are vulnerable to individuals with malicious intentions who can use access to obtain sensitive data or disrupt operations.

Laws and regulations

Various federal and state laws and regulations pertain to the protection of sensitive student data, including the Family Educational Rights and Privacy Act (FERPA), the Individuals with Disabilities Education Act (IDEA), and the Protection of Pupil Rights Amendment (PPRA). Additionally, Section 161.096, RSMo, requires the State Board of Education to promulgate a rule regarding "student data accessibility, transparency, and accountability."⁸

Data breach and response

In July 2014, the Park Hill school district publicly acknowledged a potential data breach of PII had occurred. A former district employee copied personal files to an external device to take upon leaving the district. However, some district-related documents, including files containing PII, were also copied.

⁷ U.S. Department of Education, Privacy Technical Assistance Center, Data Governance Checklist, is available at <http://ptac.ed.gov/sites/default/files/Data%20Governance%20Checklist%20%281%29.pdf>.

⁸ 5 CSR Section 20-700.100



Park Hill School District Student Data Governance Introduction

When the former employee connected the external device to a home network, certain files became publicly accessible on the Internet. A district patron discovered one of these files online and immediately notified the district.

The district took immediate action to secure the PII, with the full cooperation of the former employee, who had not realized the device contained PII. The district's investigation, which included the Federal Bureau of Investigation and an external contractor, determined only one file had been accessed one time (presumably by the patron who identified the issue and alerted the district). However the district opted to notify every individual who had PII on the device and arranged for one year of identity monitoring services at no cost. As of June 29, 2015, the district had not received any reports of PII being compromised or used in a fraudulent manner. As a result, the district did not extend coverage at the conclusion of the one year of monitoring services.

In addition to notifying the public, securing the PII, and offering identity monitoring services for individuals potentially affected; the district took measures to prevent similar incidents from occurring in the future, including updating policies related to employees' handling of sensitive information, enhanced training, and removing certain sensitive data from district systems.

Controls established

The district has an important responsibility for maintaining the privacy of student data and for implementing and maintaining information security controls. The district relies extensively on computerized systems to support its educational and mission-related operations and on information security controls to protect the sensitive data residing on those systems. While we found areas where improvements are needed, as discussed in the Management Advisory Report, we also found the district has established:

- A data governance program designed to reduce data security risk.
- A data breach and incident response policy and plan to promote prompt response coordination.
- A technology usage policy to facilitate access to district technology and to create a safe environment for using the technology, including promoting online safety, security, and confidentiality.
- Policies and procedures, including applicable parent/student forms, required to be in compliance with the FERPA data disclosure and usage provisions.
- The controls and processes required to be in compliance with the Children's Internet Protection Act (CIPA).
- Policies and procedures to help ensure services provided by information system vendors meet district needs and security and privacy requirements.



Park Hill School District Student Data Governance Introduction

- Certain controls designed to help ensure the privacy of data and to help ensure the confidentiality, integrity, and availability of significant systems and data maintained on those systems.

Cyber threats will continue to challenge operational resilience and business continuity preparedness. School districts can reduce the risks of breaches by remaining aware of emerging cyber threats and consider the potential impact to operational resilience.

Scope and Methodology

The scope of our audit included the Park Hill School District's approach to data governance, including information security, privacy, and other relevant internal controls; policies and procedures; and other management functions and compliance issues in place.

Our methodology included reviewing written policies and procedures, and interviewing various district personnel. We obtained an understanding of the data governance approach and applicable controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violation of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We obtained a list of district employees as of June 2016 from the district's accounting system. We matched these records to the user account records from the district's student information system, financial accounting system, and network management system to determine if any terminated employees had active accounts. We also matched these records to users of the DESE statewide data collection systems. Although we used computer-processed data from these systems for our audit work, we did not rely on the results of any processes performed by these systems in arriving at our conclusions. Our conclusions were based on our review of the issues specific to the audit objectives.

We based our evaluation on accepted state, federal, and international standards; policies and procedures; and best practices related to information technology security and privacy controls from the following sources:

- National Institute of Standards and Technology (NIST)
- Government Accountability Office (GAO)
- ISACA (previously known as the Information Systems Audit and Control Association)



Park Hill School District Student Data Governance Introduction

- U.S. Department of Education, Privacy Technical Assistance Center (PTAC)⁹

⁹ According to its web site, the U.S. Department of Education established the PTAC as a "one-stop" resource for education stakeholders to learn about data privacy, confidentiality, and security practices related to student-level longitudinal data systems. The PTAC provides information and guidance on privacy, confidentiality, and security practices through a variety of resources. PTAC information is available at <<http://nces.ed.gov/programs/ptac>>.

Park Hill School District Student Data Governance Management Advisory Report State Auditor's Findings

1. User Accounts

The district has not fully established controls for maintaining user accounts for accessing system resources. Accounts assigned to former employees no longer working for the district are not always removed timely and periodic monitoring to identify inactive accounts is not performed.

1.1 Terminated users

While certain procedures for removing access are in place, the district has not documented or fully established policies and procedures for disabling or removing user accounts timely after a user terminates. As of June 2016, three former district employees still had access to district systems and information 30 or more days after leaving the district.

Access to most district computer systems is controlled through an interface between the district's Human Resources (HR) computer system and the district's network management system. User accounts in the network management system are automatically created or disabled when a user is added or removed from the HR system. However, the three former employees identified had access to systems not controlled by this process, meaning their access had to be manually added or removed.

Without effective procedures to remove access, terminated employees could continue to have access to critical or sensitive resources or have opportunities to sabotage or otherwise impair entity operations or assets, according to the Government Accountability Office (GAO).

1.2 Inactive account monitoring

The district does not proactively monitor for user accounts that have not been accessed or used for a specified period of time.

Inactive accounts can indicate users no longer need the access privileges provided by the accounts and may be attractive targets for individuals attempting to gain unauthorized access since the account owners may not notice illicit activity on the accounts, according to the GAO. Without appropriate monitoring, security administrators are less likely to identify user accounts that had not been accessed or used for a specified period of time.

Recommendations

The district:

- 1.1 Fully establish, document, and follow policies and procedures to ensure user accounts and related access privileges are removed timely upon user termination.
- 1.2 Periodically monitor user account access to identify and evaluate inactive accounts.

Auditee's Response

- 1.1 *The district will continue to improve the implementation of existing documented policies and procedures to ensure user accounts and*



Park Hill School District Student Data Governance
Management Advisory Report - State Auditor's Findings

related access privileges are removed in a timely manner upon termination.

1.2 *The district will continue to improve documented policies and procedures to monitor user accounts and related access.*

2. Security Controls

The district has not implemented all necessary security controls, leaving district technology assets, including personally identifiable information (PII), at risk of inappropriate access, use, and disclosure.

Logical security is the use of computer hardware and software to prevent or detect unauthorized access to systems, including the data therein. Logical security most often takes the form of user accounts and passwords, but also includes location and network based controls and security hardware, such as firewalls. Physical security is the protection of technology resources, including computers and network servers, from theft or damage. Physical security makes technology resources physically unavailable to unauthorized users and can include locked rooms and cabinets, periodic inventories of technology assets, and other measures to protect assets from unauthorized access.

2.1 Security administrator

The district has not formally appointed any specific personnel to serve as security administrator or formally assigned responsibility for creating, implementing, and maintaining security policies and procedures.

Accepted guidance from the U.S. Department of Education, PTAC states that organizations should develop comprehensive plans outlining organization policies and standards regarding data security and individual privacy protection. Such plans should clearly identify staff responsibilities for maintaining data security and empower employees by providing tools they can use to minimize the risks of unauthorized access to PII.

The district technology director has informally been tasked with maintaining security of the district's technology resources and data. However, without a formal designation of staff responsible for security administration, there is increased risk that security policies and procedures may not be adequately designed, documented, implemented, and updated.

2.2 Password controls

The district has not established adequate password controls to reduce the risk of unauthorized access to computers and data. Passwords are required to authenticate network access, however, controls to enforce the use of strong passwords have not been required.

The network management system provides the functionality for administrators to enforce strong password controls such as specifying the maximum length of time a password may be used before it has to be



Park Hill School District Student Data Governance Management Advisory Report - State Auditor's Findings

changed, preventing the reuse of a certain number of previously used passwords, and specifying password length and complexity requirements (such as a mix of upper and lower case characters, numbers, and special characters). However, the password policy implemented by the district does not use all of the available functionality to enforce the use of strong passwords. In addition, while authorized users must first logon to the network management system, separate passwords for accessing an administrative system are not required to be changed periodically.

Not enforcing strong password controls increases the risk of a password becoming known by someone other than the account owner, which may result in inappropriate access to and misuse of sensitive district information.

2.3 Security logs

The district has formally documented policies and procedures to identify the types of security events to be logged and monitored. However, the policies need to be enhanced to provide assurance that all significant security incidents are detected, logged, and properly investigated and resolved.

The internal security policies within the district's network management system log thousands of entries each day. A majority of these entries, such as notification of successful login by system users, are of minimal use for security purposes. While certain security events are logged, according to district policy, failed attempts to access district resources are not logged.

The district should enhance criteria for identifying significant system events that should be logged. At a minimum, all such significant events, including unauthorized access to sensitive or critical system resources, should be logged. Without identifying, logging, and monitoring significant security-relevant events, the district is at increased risk that unauthorized or inappropriate system activity may not be detected.

2.4 Concurrent users

The district has not established controls to limit or detect concurrent access to district systems.

Concurrent session controls prevent a single user from accessing an information system from more than a specified number of locations at any given time. These controls help prevent unauthorized users from accessing the system by masquerading as an authorized user.

According to accepted standards, the number of concurrent sessions for a user should be limited. Without limiting or detecting access from multiple locations at the same time, management may not be able to ensure the confidentiality, integrity, and availability of data and the system.

2.5 Documentation of security controls

The district has not documented policies and procedures for certain security controls.



Park Hill School District Student Data Governance Management Advisory Report - State Auditor's Findings

According to the GAO standards for internal control, control activities are an integral part of an organization's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives and helps ensure that actions are taken to reasonably address risks. The following control activities, including policies and procedures, have not been fully documented at the time of our audit:

- The allowable use of removable media, such as flash drives.
- Resetting lost or compromised passwords.
- Policies describing who may be granted privileged access to district systems.
- Periodic reviews of user groups, including membership and the access rights granted to the groups.

According to accepted standards, documentation of all aspects of computer support and operations is important to ensure continuity and consistency. Formalizing operational practices and procedures with sufficient detail helps to eliminate security lapses and oversights, gives new personnel sufficiently detailed instructions, and provides a quality assurance function to help ensure that operations will be performed correctly and efficiently.

Without documented and approved policies and procedures, management may not have assurance that control activities are appropriate and properly applied.

Recommendations

The district:

- 2.1 Formally appoint a security administrator who is responsible for developing and maintaining district security policies and procedures.
- 2.2 Enhance password controls to prevent unauthorized access to computers and data.
- 2.3 Enhance existing criteria for identifying which security events should be written to audit logs and monitored and investigated as security incidents.
- 2.4 Manage and monitor the number of concurrent sessions for a single user.
- 2.5 Fully document and periodically review security policies and procedures.



Park Hill School District Student Data Governance
Management Advisory Report - State Auditor's Findings

Auditee's Response

- 2.1 *The district has formally appointed the director of technology as the security administrator who is responsible for developing and maintaining district security policy and procedures.*
- 2.2 *The district has enhanced existing password controls to prevent unauthorized access to computers and data.*
- 2.3 *The district will continue to use existing processes to regularly review established criteria for identifying which security events are written to audit logs, monitored and investigated as security incidents.*
- 2.4 *The district will review the recommendation to manage and monitor the number of concurrent sessions for a single user.*
- 2.5 *The district will continue to use existing processes to fully document and periodically review established security policies and procedures.*

Park Hill School District Student Data Governance

Organization and Statistical Information

The Park Hill School District is located in Platte County.

The district operates two high schools (grades 9-12), three middle schools (one grade 6, two grades 7-8), ten elementary schools (grades K-5), an early education center (pre-K), an alternative education center, and an aquatic center. Pre-K through grade 12 enrollment was 11,533 for the 2015-2016 school year. The district employed 2,403 full- and part-time employees at April 30, 2016.

School Board and Key Personnel

An elected school board serves as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at April 30, 2016, were:

Matt Pepper, President
Janice Bolin, Vice-President
Bart Klein, Treasurer
Susan Newburger, Member
Todd Fane, Member
Karen Holland, Member
Boon Lee, Member

Dr. Jeanette Cowherd serves as District Superintendent. Dr. Paul Kelly is Assistant Superintendent for Business and Technology, and Derrick Unruh is the Director of Technology.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Benton County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Benton County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, LLC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

September 2016
Report No. 2016-085

ANNUAL FINANCIAL REPORT

BENTON COUNTY, MISSOURI

For the Years Ended
December 31, 2015 and 2014

BENTON COUNTY, MISSOURI

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INTRODUCTORY SECTION

BENTON COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Michelle McLerran Kreisler

Northern Commissioner – Jim Hansen

Southern Commissioner – Steve Daleske

Other Elected Officials

Assessor – Rodger Reedy

Circuit Clerk – Cheryl Schultz

Collector – Donna Hart

County Clerk – Susan Porterfield

Coroner – J. Weston Miller

Prosecuting Attorney – Karen Woodley

Public Administrator – Lori Dunkin

Recorder – Beverly Burnett

Sheriff – Rick Fajen

Surveyor – Jesse Wininger

Treasurer – Rick Renno

FINANCIAL SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Benton County, Missouri

We have audited the accompanying financial statements of Benton County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Benton County, Missouri on the basis of the financial reporting provisions prescribed or permitted by Missouri Law, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Benton County, Missouri, as of December 31, 2015 and 2014, or the changes in its financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of each fund of Benton County, Missouri, as of December 31, 2015 and 2014, and their respective cash receipts and disbursements, and budgetary results for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri Law described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated August 11, 2016, on our consideration of Benton County, Missouri’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
August 11, 2016

BENTON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2014 AND 2015

Fund	Cash and Cash Equivalents	Receipts	Disbursements	Cash and Cash Equivalents	Receipts	Disbursements	Cash and Cash Equivalents
	January 1, 2014	2014	2014	December 31, 2014	2015	2015	December 31, 2015
General Revenue	\$ 301,205	\$ 2,368,918	\$ 2,444,690	\$ 225,433	\$ 2,390,728	\$ 2,509,650	\$ 106,511
Special Road & Bridge	929,017	1,788,133	1,536,307	1,180,843	1,433,111	1,917,027	696,927
Assessment	191,393	333,123	320,907	203,609	358,853	298,076	264,386
Capital Improvement	1,223,623	964,002	971,179	1,216,446	956,307	891,359	1,281,394
E-911	201,108	707,975	681,341	227,742	738,737	757,762	208,717
Adult Abuse	2,185	5,094	4,450	2,829	7,046	6,429	3,446
Law Enforcement	6,384	3,160	2,883	6,661	3,026	2,616	7,071
Prosecuting Attorney Training	564	793	765	592	770	610	752
Prosecuting Attorney Bad Check	25,676	12,550	5,234	32,992	6,745	2,867	36,870
Recorder User	14,892	16,128	28,350	2,670	16,616	10,989	8,297
Sheriff Civil	47,760	29,500	40,643	36,617	26,512	24,804	38,325
D.A.R.E	199	1,201	1,130	270	2,004	1,750	524
Sheriff Revolving	28,393	23,764	25,548	26,609	35,146	14,911	46,844
Sheriff Inmate Security	386	16,313	3,780	12,919	23,036	11,289	24,666
Election Service	3,324	707	1,218	2,813	343	1,641	1,515
Help America Vote Act	-	4,512	4,512	-	4,534	4,534	-
General Investment	322,814	118,012	-	440,826	1,659	-	442,485
CART Investment	51,032	569,227	568,584	51,675	586,425	588,033	50,067
Tax Maintenance	26,075	32,098	34,401	23,772	31,230	17,667	37,335
Administrative Handling Cost	-	1	-	1	-	-	1
Senior Citizen's Services Tax Board	59,647	137,861	135,535	61,973	116,205	141,172	37,006
Total	<u>\$ 3,435,677</u>	<u>\$ 7,133,072</u>	<u>\$ 6,811,457</u>	<u>\$ 3,757,292</u>	<u>\$ 6,739,033</u>	<u>\$ 7,203,186</u>	<u>\$ 3,293,139</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BENTON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND Year Ended December 31,				
	2014		2015	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 405,000	\$ 345,048	\$ 405,300	\$ 355,625
Sales taxes	1,038,000	1,019,542	1,054,500	1,045,144
Intergovernmental	416,435	387,367	390,359	378,748
Charges for services	439,385	422,653	433,444	436,539
Interest	1,100	1,340	1,400	1,166
Other	73,000	71,687	86,625	71,329
Transfers in	156,500	121,281	115,738	102,177
Total Receipts	<u>\$ 2,529,420</u>	<u>\$ 2,368,918</u>	<u>\$ 2,487,366</u>	<u>\$ 2,390,728</u>
DISBURSEMENTS				
County Commission	\$ 93,408	\$ 91,292	\$ 96,514	\$ 93,930
County Clerk	77,749	75,844	68,627	66,747
Elections	88,060	80,638	53,098	48,499
Buildings and grounds	55,982	59,042	60,660	57,666
Employee fringe benefits	272,800	261,955	269,350	274,965
Treasurer	44,781	45,113	46,889	46,906
Collector	144,999	131,973	147,015	136,236
Recorder of Deeds	70,127	70,229	72,406	72,053
Circuit Clerk	39,900	27,460	36,100	18,131
Court administration	12,062	6,714	18,534	5,860
Public Administrator	49,856	50,266	53,773	55,016
Sheriff	757,378	717,176	750,762	723,958
Jail	336,797	339,335	374,120	403,903
Prosecuting Attorney	251,872	247,049	251,315	250,704
Juvenile Officer	45,799	45,211	49,792	43,819
Coroner	42,803	39,024	44,217	49,931
Emergency Management	39,812	38,571	38,178	32,687
University Extension	31,000	29,418	38,580	38,310
Other County Government	91,670	63,960	90,629	64,434
Transfers out	-	24,420	-	25,895
Emergency fund	75,883	-	74,553	-
Total Disbursements	<u>\$ 2,622,738</u>	<u>\$ 2,444,690</u>	<u>\$ 2,635,112</u>	<u>\$ 2,509,650</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (93,318)	\$ (75,772)	\$ (147,746)	\$ (118,922)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>301,205</u>	<u>301,205</u>	<u>225,433</u>	<u>225,433</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 207,887</u></u>	<u><u>\$ 225,433</u></u>	<u><u>\$ 77,687</u></u>	<u><u>\$ 106,511</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD & BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 486,750	\$ 477,318	\$ 600,600	\$ 498,981	\$ -	\$ -	\$ -	\$ -
Sales taxes	114,900	144,720	135,500	155,237	-	-	-	-
Intergovernmental	253,510	143,078	436,210	168,127	311,704	302,660	320,798	324,368
Charges for services	-	-	-	-	820	802	1,875	1,836
Interest	2,800	3,478	3,500	3,495	1,000	888	1,250	1,167
Other	424,800	450,955	195,400	19,238	47,374	4,353	50,849	5,587
Transfers in	568,783	568,584	570,100	588,033	-	24,420	-	25,895
Total Receipts	<u>\$ 1,851,543</u>	<u>\$ 1,788,133</u>	<u>\$ 1,941,310</u>	<u>\$ 1,433,111</u>	<u>\$ 360,898</u>	<u>\$ 333,123</u>	<u>\$ 374,772</u>	<u>\$ 358,853</u>
DISBURSEMENTS								
Salaries	\$ 435,000	\$ 423,279	\$ 435,000	\$ 443,439	\$ 222,378	\$ 226,623	\$ 230,276	\$ 219,731
Employee fringe benefits	120,150	107,071	125,900	118,898	55,389	49,060	56,092	46,733
Materials and supplies	299,000	253,962	267,000	145,642	19,100	17,586	24,600	12,230
Services and other	313,000	344,354	256,800	485,956	27,400	17,180	16,200	9,018
Capital outlay	164,000	78,816	262,500	195,961	14,025	10,458	25,225	10,364
Construction	424,000	291,392	741,500	479,864	-	-	-	-
Transfers out	79,810	37,433	81,000	47,267	-	-	-	-
Total Disbursements	<u>\$ 1,834,960</u>	<u>\$ 1,536,307</u>	<u>\$ 2,169,700</u>	<u>\$ 1,917,027</u>	<u>\$ 338,292</u>	<u>\$ 320,907</u>	<u>\$ 352,393</u>	<u>\$ 298,076</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 16,583	\$ 251,826	\$ (228,390)	\$ (483,916)	\$ 22,606	\$ 12,216	\$ 22,379	\$ 60,777
CASH AND CASH								
EQUIVALENTS, JANUARY 1	<u>929,017</u>	<u>929,017</u>	<u>1,180,843</u>	<u>1,180,843</u>	<u>191,393</u>	<u>191,393</u>	<u>203,609</u>	<u>203,609</u>
CASH AND EQUIVALENTS,								
DECEMBER 31	<u>\$ 945,600</u>	<u>\$ 1,180,843</u>	<u>\$ 952,453</u>	<u>\$ 696,927</u>	<u>\$ 213,999</u>	<u>\$ 203,609</u>	<u>\$ 225,988</u>	<u>\$ 264,386</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CAPITAL IMPROVEMENT FUND				E-911 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	917,336	917,208	944,721	935,575	687,650	687,649	687,649	701,690
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	500	275	500	-
Interest	4,016	4,011	5,075	5,175	3,700	683	2,000	897
Other	62,874	40,309	37,935	13,061	19,370	19,368	36,151	36,150
Transfers in	-	2,474	-	2,496	-	-	-	-
Total Receipts	<u>\$ 984,226</u>	<u>\$ 964,002</u>	<u>\$ 987,731</u>	<u>\$ 956,307</u>	<u>\$ 711,220</u>	<u>\$ 707,975</u>	<u>\$ 726,300</u>	<u>\$ 738,737</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 411,881	\$ 412,097	\$ 404,703	\$ 427,691
Employee fringe benefits	-	-	-	-	92,950	91,379	101,700	89,255
Materials and supplies	9,000	1,818	7,000	2,342	9,000	7,715	4,000	7,454
Services and other	790,400	706,691	874,355	562,581	158,263	135,964	201,538	137,799
Capital outlay	303,749	254,864	359,145	315,988	37,000	34,186	39,900	95,563
Construction	-	-	-	-	-	-	-	-
Transfers out	-	7,806	-	10,448	-	-	-	-
Total Disbursements	<u>\$ 1,103,149</u>	<u>\$ 971,179</u>	<u>\$ 1,240,500</u>	<u>\$ 891,359</u>	<u>\$ 709,094</u>	<u>\$ 681,341</u>	<u>\$ 751,841</u>	<u>\$ 757,762</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (118,923)	\$ (7,177)	\$ (252,769)	\$ 64,948	\$ 2,126	\$ 26,634	\$ (25,541)	\$ (19,025)
CASH AND CASH								
EQUIVALENTS, JANUARY 1	<u>1,223,623</u>	<u>1,223,623</u>	<u>1,216,446</u>	<u>1,216,446</u>	<u>201,108</u>	<u>201,108</u>	<u>227,742</u>	<u>227,742</u>
CASH AND CASH								
EQUIVALENTS, DECEMBER 31	<u>\$ 1,104,700</u>	<u>\$ 1,216,446</u>	<u>\$ 963,677</u>	<u>\$ 1,281,394</u>	<u>\$ 203,234</u>	<u>\$ 227,742</u>	<u>\$ 202,201</u>	<u>\$ 208,717</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ADULT ABUSE FUND				LAW ENFORCEMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	5,350	5,090	7,700	7,038	3,700	3,160	3,700	3,026
Interest	5	4	7	8	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 5,355</u>	<u>\$ 5,094</u>	<u>\$ 7,707</u>	<u>\$ 7,046</u>	<u>\$ 3,700</u>	<u>\$ 3,160</u>	<u>\$ 3,700</u>	<u>\$ 3,026</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	4,700	4,450	6,500	6,429	5,373	2,883	5,373	2,616
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 4,700</u>	<u>\$ 4,450</u>	<u>\$ 6,500</u>	<u>\$ 6,429</u>	<u>\$ 5,373</u>	<u>\$ 2,883</u>	<u>\$ 5,373</u>	<u>\$ 2,616</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 655	\$ 644	\$ 1,207	\$ 617	\$ (1,673)	\$ 277	\$ (1,673)	\$ 410
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>2,185</u>	<u>2,185</u>	<u>2,829</u>	<u>2,829</u>	<u>6,384</u>	<u>6,384</u>	<u>6,661</u>	<u>6,661</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 2,840</u>	<u>\$ 2,829</u>	<u>\$ 4,036</u>	<u>\$ 3,446</u>	<u>\$ 4,711</u>	<u>\$ 6,661</u>	<u>\$ 4,988</u>	<u>\$ 7,071</u>

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BENTON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	800	793	850	770	12,500	12,448	6,000	6,609
Interest	-	-	-	-	110	102	150	136
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 800</u>	<u>\$ 793</u>	<u>\$ 850</u>	<u>\$ 770</u>	<u>\$ 12,610</u>	<u>\$ 12,550</u>	<u>\$ 6,150</u>	<u>\$ 6,745</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ 1,300	\$ 600	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	800	765	800	610	6,000	3,934	5,300	2,867
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 800</u>	<u>\$ 765</u>	<u>\$ 800</u>	<u>\$ 610</u>	<u>\$ 7,500</u>	<u>\$ 5,234</u>	<u>\$ 5,900</u>	<u>\$ 2,867</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ 28	\$ 50	\$ 160	\$ 5,110	\$ 7,316	\$ 250	\$ 3,878
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>564</u>	<u>564</u>	<u>592</u>	<u>592</u>	<u>25,676</u>	<u>25,676</u>	<u>32,992</u>	<u>32,992</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 564</u>	<u>\$ 592</u>	<u>\$ 642</u>	<u>\$ 752</u>	<u>\$ 30,786</u>	<u>\$ 32,992</u>	<u>\$ 33,242</u>	<u>\$ 36,870</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	RECORDER USER FUND				SHERIFF CIVIL FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	17,200	16,091	17,200	16,600	-	-	-	-
Charges for services	-	-	-	-	32,000	29,500	32,000	26,512
Interest	70	37	40	16	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 17,270</u>	<u>\$ 16,128</u>	<u>\$ 17,240</u>	<u>\$ 16,616</u>	<u>\$ 32,000</u>	<u>\$ 29,500</u>	<u>\$ 32,000</u>	<u>\$ 26,512</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	100	79	90	103	-	-	-	-
Services and other	15,130	13,459	16,375	10,886	-	31	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	14,000	14,812	-	-	43,500	40,612	24,804	24,804
Total Disbursements	<u>\$ 29,230</u>	<u>\$ 28,350</u>	<u>\$ 16,465</u>	<u>\$ 10,989</u>	<u>\$ 43,500</u>	<u>\$ 40,643</u>	<u>\$ 24,804</u>	<u>\$ 24,804</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (11,960)	\$ (12,222)	\$ 775	\$ 5,627	\$ (11,500)	\$ (11,143)	\$ 7,196	\$ 1,708
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>14,892</u>	<u>14,892</u>	<u>2,670</u>	<u>2,670</u>	<u>47,760</u>	<u>47,760</u>	<u>36,617</u>	<u>36,617</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 2,932</u>	<u>\$ 2,670</u>	<u>\$ 3,445</u>	<u>\$ 8,297</u>	<u>\$ 36,260</u>	<u>\$ 36,617</u>	<u>\$ 43,813</u>	<u>\$ 38,325</u>

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BENTON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	D.A.R.E FUND				SHERIFF REVOLVING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	30,500	23,664	32,100	34,994
Charges for services	-	-	-	-	-	-	-	-
Interest	12	1	5	4	101	100	150	152
Other	2,000	1,200	2,000	2,000	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,012</u>	<u>\$ 1,201</u>	<u>\$ 2,005</u>	<u>\$ 2,004</u>	<u>\$ 30,601</u>	<u>\$ 23,764</u>	<u>\$ 32,250</u>	<u>\$ 35,146</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	2,000	1,130	2,000	1,750	5,000	1,853	-	-
Services and other	-	-	-	-	15,500	11,695	16,500	9,911
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	12,000	12,000	5,000	5,000
Total Disbursements	<u>\$ 2,000</u>	<u>\$ 1,130</u>	<u>\$ 2,000</u>	<u>\$ 1,750</u>	<u>\$ 32,500</u>	<u>\$ 25,548</u>	<u>\$ 21,500</u>	<u>\$ 14,911</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 12	\$ 71	\$ 5	\$ 254	\$ (1,899)	\$ (1,784)	\$ 10,750	\$ 20,235
CASH AND CASH								
EQUIVALENTS, JANUARY 1	<u>199</u>	<u>199</u>	<u>270</u>	<u>270</u>	<u>28,393</u>	<u>28,393</u>	<u>26,609</u>	<u>26,609</u>
CASH AND CASH								
EQUIVALENTS, DECEMBER 31	<u>\$ 211</u>	<u>\$ 270</u>	<u>\$ 275</u>	<u>\$ 524</u>	<u>\$ 26,494</u>	<u>\$ 26,609</u>	<u>\$ 37,359</u>	<u>\$ 46,844</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF INMATE SECURITY FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,500	707	1,300	343
Charges for services	16,300	16,296	16,000	22,963	-	-	-	-
Interest	50	17	75	73	-	-	-	-
Other	-	-	4,500	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 16,350</u>	<u>\$ 16,313</u>	<u>\$ 20,575</u>	<u>\$ 23,036</u>	<u>\$ 1,500</u>	<u>\$ 707</u>	<u>\$ 1,300</u>	<u>\$ 343</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	4,500	3,780	26,020	11,289	1,500	1,218	2,000	1,641
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 4,500</u>	<u>\$ 3,780</u>	<u>\$ 26,020</u>	<u>\$ 11,289</u>	<u>\$ 1,500</u>	<u>\$ 1,218</u>	<u>\$ 2,000</u>	<u>\$ 1,641</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 11,850	\$ 12,533	\$ (5,445)	\$ 11,747	\$ -	\$ (511)	\$ (700)	\$ (1,298)
CASH AND CASH								
EQUIVALENTS, JANUARY 1	<u>386</u>	<u>386</u>	<u>12,919</u>	<u>12,919</u>	<u>3,324</u>	<u>3,324</u>	<u>2,813</u>	<u>2,813</u>
CASH AND CASH								
EQUIVALENTS, DECEMBER 31	<u>\$ 12,236</u>	<u>\$ 12,919</u>	<u>\$ 7,474</u>	<u>\$ 24,666</u>	<u>\$ 3,324</u>	<u>\$ 2,813</u>	<u>\$ 2,113</u>	<u>\$ 1,515</u>

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BENTON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	HELP AMERICA VOTE ACT FUND				GENERAL INVESTMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	8,000	4,512	9,969	4,534	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	1,500	1,424	1,500	1,659
Other	-	-	-	-	116,588	116,588	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 8,000</u>	<u>\$ 4,512</u>	<u>\$ 9,969</u>	<u>\$ 4,534</u>	<u>\$ 118,088</u>	<u>\$ 118,012</u>	<u>\$ 1,500</u>	<u>\$ 1,659</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	8,000	4,512	9,969	4,534	15,000	-	15,000	-
Total Disbursements	<u>\$ 8,000</u>	<u>\$ 4,512</u>	<u>\$ 9,969</u>	<u>\$ 4,534</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ 103,088	\$ 118,012	\$ (13,500)	\$ 1,659
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,814</u>	<u>322,814</u>	<u>440,826</u>	<u>440,826</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,902</u>	<u>\$ 440,826</u>	<u>\$ 427,326</u>	<u>\$ 442,485</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CART INVESTMENT FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	551,980	568,197	551,980	585,215	-	-	-	-
Charges for services	-	-	-	-	32,500	32,002	32,000	31,124
Interest	820	1,030	1,050	1,210	63	96	85	106
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 552,800</u>	<u>\$ 569,227</u>	<u>\$ 553,030</u>	<u>\$ 586,425</u>	<u>\$ 32,563</u>	<u>\$ 32,098</u>	<u>\$ 32,085</u>	<u>\$ 31,230</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 4,000	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	1,000	440	2,000	1,218
Services and other	-	-	-	-	36,800	27,381	21,900	3,829
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	552,800	568,584	570,100	588,033	-	6,580	10,000	12,620
Total Disbursements	<u>\$ 552,800</u>	<u>\$ 568,584</u>	<u>\$ 570,100</u>	<u>\$ 588,033</u>	<u>\$ 41,800</u>	<u>\$ 34,401</u>	<u>\$ 33,900</u>	<u>\$ 17,667</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ 643	\$ (17,070)	\$ (1,608)	\$ (9,237)	\$ (2,303)	\$ (1,815)	\$ 13,563
CASH AND CASH								
EQUIVALENTS, JANUARY 1	<u>51,032</u>	<u>51,032</u>	<u>51,675</u>	<u>51,675</u>	<u>26,075</u>	<u>26,075</u>	<u>23,772</u>	<u>23,772</u>
CASH AND CASH								
EQUIVALENTS, DECEMBER 31	<u>\$ 51,032</u>	<u>\$ 51,675</u>	<u>\$ 34,605</u>	<u>\$ 50,067</u>	<u>\$ 16,838</u>	<u>\$ 23,772</u>	<u>\$ 21,957</u>	<u>\$ 37,335</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ADMINISTRATIVE HANDLING COST FUND				SENIOR CITIZEN'S SERVICES TAX BOARD FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 122,550	\$ 121,658	\$ 122,550	\$ 115,818
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	1,000	-	500	-	-	-	-	-
Interest	50	1	10	-	450	452	450	387
Other	-	-	-	-	-	15,751	500	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,050</u>	<u>\$ 1</u>	<u>\$ 510</u>	<u>\$ -</u>	<u>\$ 123,000</u>	<u>\$ 137,861</u>	<u>\$ 123,500</u>	<u>\$ 116,205</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	50	10	50	28
Services and other	1,000	-	-	-	126,571	135,525	133,837	141,144
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,621</u>	<u>\$ 135,535</u>	<u>\$ 133,887</u>	<u>\$ 141,172</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 50	\$ 1	\$ 510	\$ -	\$ (3,621)	\$ 2,326	\$ (10,387)	\$ (24,967)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>59,647</u>	<u>59,647</u>	<u>61,973</u>	<u>61,973</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 50</u>	<u>\$ 1</u>	<u>\$ 511</u>	<u>\$ 1</u>	<u>\$ 56,026</u>	<u>\$ 61,973</u>	<u>\$ 51,586</u>	<u>\$ 37,006</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benton County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three Commissioners, there are eleven elected Constitutional Officers: Assessor, Circuit Clerk, Collector, County Clerk, Coroner, Prosecuting Attorney, Public Administrator, Recorder, Sheriff, Surveyor and Treasurer.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Benton County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the County's legal entity.

Certain elected County officials, particularly the County Collector, Treasurer, Circuit Clerk, Recorder and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they

are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law.
10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2015</u>	<u>2014</u>
E-911	✓	N/A
CART Investment	✓	✓
Senior Citizen's Services Tax Board	✓	✓

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for the calendar year 2015 and 2014, for purposes of taxation were:

	2015	2014
Real Estate	\$ 180,550,860	\$ 179,530,770
Personal Property	57,270,235	53,861,676
Railroad and Utilities	14,295,828	13,675,358
Total	<u>\$ 252,116,923</u>	<u>\$ 247,067,804</u>

For calendar years 2015 and 2014, the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property as follows:

	2015	2014
General Revenue	\$ 0.1350	\$ 0.1400
Special Road & Bridge	0.2074	0.2075
Senior Citizen's Services Tax Board	0.0500	0.0500

F. Cash Deposits and Cash Equivalents

Deposits and cash equivalents are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from these balances is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash and cash equivalents balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND CASH EQUIVALENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption. Cash and cash equivalents include both deposits and short-term investments with maturities less than 90 days.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, the carrying amounts of the County's deposits were \$3,293,139 and \$3,757,292, respectively, and the bank balances were \$3,785,595 and \$4,143,580, respectively. Of the bank balances, \$394,526 and \$417,072 at December 31, 2015 and December 31, 2014, respectively, were covered by federal depository insurance. The remainder of the balances at December 31, 2015 and December 31, 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2015 and 2014, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. Tax collections on deposit amounted to \$7,295,686 and \$7,068,187 at December 31, 2015 and 2014, respectively. The County Collector's deposits were covered by federal depository insurance of \$350,162 and \$250,000 as of December 31, 2015 and 2014, respectively. The remainder of the balances at December 31, 2015 and December 31, 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. County Employee's Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840 RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

2) Pension Benefits

Beginning in January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employee's Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-573-632-9203.

3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2015 and 2014 the County collected and remitted to CERF employee contributions of \$181,102 and \$165,578 respectively, for the years then ended.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full-time employees with up to 40 days of sick time, to accrue at three-fourths day per complete calendar month of employment. Upon termination, employees are compensated for 25% to 50% of accrued sick time depending on the length of employment.

Vacation time is accrued for every full-time employee, and accrues at the rate of zero days per year up to fifteen days per year depending on length of employment. However, employees may only carry over ten vacation days from one year to the next. Any days accrued in excess of ten days will be forfeited at the end of the year. Employees are not compensated for unused vacation time at termination.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. LEASES

The County had the following leases outstanding at December 31, 2015:

- A. On February 26, 2014, the County entered into a \$110,820, seven year lease for a 2014 John Deere 672G Motorgrader for Road District #2. The lease is to be paid in annual payments of \$18,162, which include interest of 3.50%, with the final payment scheduled on February 27, 2021.

- B. On September 2, 2014, the County entered into a \$351,320, seven year lease/purchase for 911 communication equipment, 4 year maintenance agreement and security upgrades for the office. The lease/purchase is to be paid in annual payments of \$55,100, which includes interest of 2.39%, with the final payment scheduled on September 24, 2021.
- C. On October 14, 2014, the County entered into a \$108,850, five year capital lease for a 2014 John Deere 410K Backhoe Loader for Road District #2. The lease is to be paid in annual payments of \$21,435, after an initial payment on January 14, 2015 of \$10,833, which includes interest of 3.00%, with the final payment scheduled on October 14, 2019.
- D. On December 17, 2014, the County entered into a \$113,020, two year capital lease for a 2015 John Deere 524K Loader for Road District #1. The lease is to be paid in two annual payments of \$7,386, which includes interest of 2.89%, and a final payment of \$105,000 scheduled on January 1, 2017.
- E. On May 27, 2015, the County entered into a \$138,239, seven year capital lease for a 2016 Peterbilt 567 for Road District #1. The lease is to be paid in annual payments of \$21,882, which includes interest of 2.633%, with the final payment scheduled on May 27, 2022.

8. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through August 11, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the County Commission and
Officeholders of Benton County, Missouri

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Benton County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Benton County, Missouri's basic financial statements and have issued our report thereon dated August 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Benton County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benton County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Benton County, Missouri's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency as item 1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and recommendations as item 2.

We also noted two other matters that we reported to management of Benton County, Missouri in the accompanying schedule of findings and recommendations section as items 3 and 4.

Benton County, Missouri's Response to Findings

Benton County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. Benton County, Missouri's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
August 11, 2016

FINDINGS AND RECOMMENDATIONS

BENTON COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Treasurer's Account Bank Reconciliation

Condition: At both December 31, 2015 and December 31, 2014, the Treasurer's Annual Settlement did not agree to the respective reconciled bank account balances for the Treasurer's main checking account. At December 31, 2015, the Treasurer's Annual Settlement had a stated cash balance of \$3,456,727, however, the bank reconciliation for December 31, 2015 showed a reconciled bank balance of \$2,863,119, a difference of \$593,608. The County Treasurer explained that the 2015 variance was caused by an error in the software used to reconcile the accounts that was causing the amount of some of the outstanding checks to be misstated. No attempt was made by the Treasurer to manually perform the reconciliation with the correct amounts. At December 31, 2014, the Treasurer's Annual Settlement had a stated cash balance of \$3,897,254, however, the bank reconciliation for December 31, 2014 showed a reconciled bank balance of \$3,901,957, a difference of \$4,703.

Recommendation: We recommend that the Treasurer implement the necessary procedures to ensure that the bank balances reconcile to the book balance of the County's funds when performing the bank reconciliations on a monthly basis.

County's Response: The discrepancy that was cited in December of 2015 was caused due to a glitch in the accounting program that is used by the Treasurer's office and the County Clerk's office. The program administrator was contacted and was unable to correct the issue with the reconciliation portion and recommended waiting to see if the program would correct itself the following month. This recommendation was followed and in January of 2016 it appeared that the problem had corrected itself. This program is still in place and is used monthly to reconcile the County's checking account.

Auditor's Response: December 2015 was not the only month in which the reconciliations were out of balance. In order to ensure the accountability of taxpayer funds, the reconciliations should be in balance each month.

ITEMS OF NONCOMPLIANCE

2. Budgetary Controls

Condition: Actual expenditures exceeded budgeted expenditures for the CART Investment Fund in 2014 and 2015, for the E-911 Fund in 2015 and for the Senior Citizen's Services Tax Board Fund in 2014 and 2015. RSMo 50.740 prohibits expenditures in excess of the approved budgets.

Budgetary controls are significant to the proper management and custodianship of county funds. Compliance with statutory requirements related to budgets will improve controls over county funds and help maintain the integrity of the budget process.

Recommendation: We recommend the County strictly adhere to the authorized spending limits as documented in the adopted County budget or follow the appropriate procedures to amend the budget and ensure funds are available to finance the expenditure.

County's Response: The County endeavors to, and will continue to adhere as strictly to the budget as possible, and do any and all budget amendments in a timely fashion.

Auditor's Response: The response is appropriate to correct the concern.

OTHER MATTERS

3. Accounting for Transfers

Condition: The financial statements of the County as presented in the annual budget documents present transfers between funds. The recorded transfers out did not equal the recorded transfers in for either 2015 or 2014. This was the result of transfers out misclassified as expenditures and transfers in misclassified as revenues. The transfers recorded as revenues were misclassified as intergovernmental revenue in each year. This has the effect of overstating expenditures and revenues as recorded in the annual budget documents. All transfers out must be accompanied by a corresponding transfer in. The financial statements included in this report have been adjusted so that transfers in and out between funds are equal as of December 31, 2015 and 2014.

Recommendation: In order to ensure that transfers are properly reported and in balance, we recommend transfers out always be accompanied by an equal transfer in and that the transfers be clearly identified on the budget.

County's Response: The County will endeavor to more clearly identify transfers as recommended.

Auditor's Evaluation: The response is appropriate to correct the concern.

4. Lack of Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. An investment policy addresses topics such as collateralization of deposits, strategy with respect to investment in public funds, and other areas, and thus such a policy would be beneficial and also required for the County. RSMo Section 110.270, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. Additionally, RSMo Section 30.950 requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the investment policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through

repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy that complies with the requirements of state statutes.

County's Response: The County may endeavor to adopt an investment policy that complies with state statute requirement RSMo 110.270, if funds become available not needed for current operations.

Auditor's Response: As the investment policy addresses topics such as collateralization, it should be adopted whether or not the County has excess funds to invest.

BENTON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Benton County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2011 and 2010.

1. The County Treasurer's Annual Settlement did not agree to the reconciled bank account balance at the end of 2011 and 2010.

Status: Not resolved. See Finding No. 1.

2. The County Collector's reconciled bank account balance and the cash-on-hand balance reported in the tax collection software system did not agree at the end of 2011 and 2010.

Status: Resolved.

3. The County Treasurer's and Collector's bank accounts yielded significantly lower interest rates than the negotiated 2.54% rate for years 2008, 2009, 2010 and 2011.

Status: Resolved.

4. The County approved expenditures in excess of budgeted amounts for several funds in 2011 and 2010.

Status: Not Resolved. See Finding No. 2.

5. The transfers reported in both 2011 and 2010 did not balance, in that transfers to other funds were not in agreement with transfers from other funds.

Status: Not resolved. See Finding No. 3.



Office of Missouri State Auditor
Nicole Galloway, CPA

Cedar County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Cedar County

Sheriff's Controls and Procedures	The Sheriff improperly deposited funds into the Sheriff's Revolving Fund and authorized unallowable disbursements and transfers totaling \$17,475 from that fund during the year ended December 31, 2015. The Sheriff does not issue receipt slips or maintain a receipts log for the Missouri State Highway Patrol portion of concealed carry weapon fees. The secretary did not prepare monthly lists of liabilities for the inmate booking bank account; therefore, liabilities are not reconciled to the available cash balance.
Property Tax System Controls and Procedures	Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk also does not prepare or verify the accuracy of the delinquent tax books.
County Collector's Controls and Procedures	The County Collector's annual settlement was not accurate. The County Collector also failed to withhold mailing commissions of approximately \$29,700 in November and December 2015 and approximately \$33,400 in November and December 2014.
County Procedures	The County Clerk failed to submit a certified copy of the 2016 and 2014 county budgets to the State Auditor's Office in accordance with state law. In addition, the 2015 county budget was submitted 75 days after the budget was approved by the County Commission. The county also does not reconcile fuel logs to fuel billings.
Electronic Data Security	County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Employees in the offices of the County Assessor, County Clerk, Prosecuting Attorney, and Public Administrator are not required to change passwords periodically.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Cedar County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Cedar County

We have audited certain operations of Cedar County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, has been engaged to audit the financial statements of Cedar County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

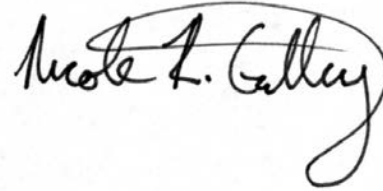
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified 1) deficiencies in internal controls, 2) noncompliance with legal provisions, and 3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Cedar County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly distinguishable.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	James M. Applegate, MBA
Audit Staff:	Shannon Spicer, MBA
	Jason M. Huffman, MBA

Cedar County

Management Advisory Report

State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collected monies for civil fees, concealed carry weapon (CCW) permits, jail phone and commissary commissions, bonds, and other miscellaneous receipts. Bonds and monies remitted to the County Treasurer totaled approximately \$316,000 for the year ended December 31, 2015.

1.1 Sheriff's Revolving Fund

The Sheriff improperly deposited funds into the Sheriff's Revolving Fund and also authorized unallowable disbursements and transfers totaling \$17,475 from the Sheriff's Revolving Fund during the year ended December 31, 2015. Disbursements and transfers from the Sheriff's Revolving Fund totaled \$20,760 for the year ended December 31, 2015.

The Sheriff improperly turned over sex offender registry, report, impound, trailer inspection, and other miscellaneous fees totaling \$2,616 for the year ended December 31, 2015, for deposit into the Sheriff's Revolving Fund. These fees should have been deposited into the Law Enforcement Sales Tax Fund. The Sheriff also authorized \$4,475 of unallowable disbursements from the Sheriff's Revolving Fund during 2015. None of these purchases were related to the issuance of CCW permits as required by state law. The unallowable disbursements were for evidence and drug testing supplies totaling \$1,715, patrol equipment and bullet proof vests totaling \$2,091, and outdoor video surveillance equipment totaling \$669. Additionally, the Sheriff authorized unallowable transfers of \$8,000 from the Sheriff's Revolving Fund to the Jail Building Fund and \$5,000 to the Law Enforcement Training Fund during 2015 for disbursements unrelated to the issuance of CCW permits.

Sections 50.535 and 571.101, RSMo, require fees collected for CCW permits to be deposited into the Sheriff's Revolving Fund and use of this money to make necessary expenditures to process applications for concealed carry endorsements or renewals, including but not limited to the purchase of equipment, training, fingerprinting, background checks, and employment of additional personnel. There are no statutory provisions allowing any other monies to be deposited into the Sheriff's Revolving Fund. Miscellaneous fees received by the Sheriff's office should be deposited to the Law Enforcement Sales Tax Fund because this fund supports the operations of the Sheriff's office.

1.2 CCW MSHP fees

The Sheriff does not issue receipt slips or maintain a receipts log for the Missouri State Highway Patrol (MSHP) portion of CCW fees. During the year ended December 31, 2015, the Sheriff collected MSHP fees totaling approximately \$3,900 related to criminal background checks for new CCW permit applications. The Sheriff requires applicants to submit these fees by money order made payable to the MSHP, but does not issue receipt slips or maintain a receipts log to ensure all fees collected are transmitted to the



Cedar County Management Advisory Report - State Auditor's Findings

MSHP. As a result, there is less assurance all fees collected have been properly transmitted.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts slips should be issued for monies received and a receipts log of monies received should be maintained. Additionally, the receipts log should be reconciled with criminal background reports received to ensure all monies were properly transmitted to the MSHP.

1.3 Liabilities

The Office Secretary did not prepare monthly lists of liabilities for the inmate booking bank account; therefore, liabilities are not reconciled to the available cash balance. We identified \$58,592 in liabilities at December 31, 2015. The available cash balance of \$62,094 exceeded the list of liabilities by \$3,502.

Without regular identification and comparison of liabilities to the available cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Various statutory provisions provide for the disposition of unidentified monies.

A similar condition was noted in our prior audit report.

Recommendations

The Sheriff:

- 1.1 Ensure applicable fees are deposited into the Law Enforcement Sales Tax Fund and use restricted monies in accordance with state law. Additionally, the Sheriff should work with the County Commission to transfer \$2,616 from the Sheriff's Revolving Fund to the Law Enforcement Sales Tax Fund, and to obtain reimbursement for the Sheriff's Revolving Fund from the applicable county funds for the improper transfers of \$13,000 and the unallowable disbursements of \$4,475.
- 1.2 Issue receipt slips for monies received and maintain a receipts log of CCW fees collected and transmitted to the Missouri State Highway Patrol and reconcile the log with criminal background reports received.
- 1.3 Prepare a monthly list of liabilities, reconcile it to the available cash balance, and promptly investigate and resolve any differences.

Auditee's Response

- 1.1 *Deposits to the Sheriff's Revolving Fund now only pertain to the CCW fees and fingerprints/background checks. That money will be used for the purchase of equipment, training, fingerprinting and background checks when necessary. The other money that was deposited into the Sheriff's Revolving Fund such as sex offender*



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registries, reports, inspections, and miscellaneous fees are now being deposited into the Law Enforcement Sales Tax Fund at the end of each month. For future transfers and reimbursements, I will consult with the County Commissioners.

- 1.2 *The fingerprint fees to the MSHP are now being receipted along with the amount due to the Sheriff's office for a total amount of \$65. At the end of each week a check out of the Sheriff's Office Account is mailed to the MSHP along with the fingerprint cards.*
- 1.3 *The Office Secretary has a list of liabilities pertaining to the inmates to match at the end of each month. The money in the Inmate Booking Account will match to the inmate's totals for the month of what they have purchased and now is deposited into the new Inmate Commissary Account. This account is now used to purchase the phone cards, electronic cigarettes, stamps, etc. to accommodate the inmate rather than asking the County Treasurer to write checks out of the Inmate Security Fund. The money left in the account matches what the inmate still has on his/her books to purchase commissary items if and when he/she chooses.*

2. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement. Property taxes and other monies collected by the County Collector totaled approximately \$8.1 million for the year ended February 29, 2016.

- 2.1 Review of property taxes Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. See MAR finding number 3.1. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.



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2.2 Tax books

The County Clerk does not prepare or verify the accuracy of the delinquent tax books. The delinquent tax book is prepared by the County Collector. Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books. A documented review of delinquent tax books should include recalculating tax book totals and charges. Failure to perform adequate and documented reviews of the tax books by an independent person may result in errors or irregularities going undetected.

Section 140.050, RSMo, requires the County Clerk to extend the delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

Recommendations

The County Clerk:

- 2.1 Maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 2.2 Prepare the delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be documented.

Auditee's Response

- 2.1 *The County Assessor turns his books over to the County Clerk. The County Clerk balances the County Assessor's assessment book, once the books are balanced the tax levies are applied by an out-source company and the County Collector is charged with collecting the taxes, commissions, penalties, and interest. The County Clerk then verifies a sampling of tax statements printed by the County Collector. Weekly the County Assessor reports any add-ons or abatements to the tax books to the County Commission, and the County Commission signs off on all changes. Monthly the County Collector runs a report showing the add-ons and abatements and the County Clerk checks them off individually to what the County Assessor has reported to ensure the County Collector is collecting changes made by the County Assessor. Monthly the County Collector turns over a report of collections along with the revenue collected. These amounts are put on an excel spreadsheet; once the County Treasurer has dispersed the funds the County Clerk balances the County Treasurer's books to verify the amount*



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dispersed matches the amount collected. The County Clerk uses Form 1315A, which is provided by the state to report collections of revenues. This form shows the current taxes and licenses and the back taxes collected monthly by the County Collector. The problem noted was detected in 2014 prior to the 2016 audit and was discussed at the time on how best to rectify the situation. Currently the County Collector and the County Assessor use different software, the County Clerk's Office has no software; in the future the County Collector and County Assessor plan to be on the same system, which will make tracking the County Collector's Office more efficient; and the County Clerk will continue to use Excel spreadsheets and add a column that shows remaining taxes due.

- 2.2 *Monthly the County Clerk completes a Form 1315A, which is provided by the state to report delinquent taxes collected. Annually the County Commission signs off on the back tax books. The County Clerk will add a spreadsheet that shows a running total of delinquent taxes paid and back taxes due.*

3. County Collector's Controls and Procedures

Controls and procedures in the County Collector's office need improvement.

3.1 Annual settlement

The County Collector's annual settlement was not accurate. The County Collector understated collections and disbursements by approximately \$53,400 for the year ended February 29, 2016. The total collections and disbursements amounts reported on the annual settlement were less than the total of collections and disbursements amounts reported on the 12 monthly settlements. Due to inadequate procedures to review the annual settlement as indicated in MAR finding number 2.1, these understatements went undetected.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is important the County Collector file complete and accurate annual settlements.

3.2 Mailing commissions

The County Collector failed to withhold mailing commissions of approximately \$29,700 in November and December 2015 and also failed to withhold mailing commissions of approximately \$33,400 in November and December 2014.



Cedar County
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Section 52.250, RSMo, provides for a one-half of one percent mailing commission on all current taxes collected, except railroad and utility tax collections, to be paid into the county's General Revenue Fund.

Recommendations

The County Collector:

- 3.1 File complete and accurate annual settlements.
- 3.2 Ensure commissions calculations comply with statutory provisions. Additionally, the County Collector should review mailing commissions on property taxes collected in November and December for past years, and calculate the amount owed by each taxing district.

Auditee's Response

The County Collector's office feels that the computer programming errors will be fixed. New programming is in place to handle our annual settlement reports with system audit reports available. New software will handle the annual settlement issues, along with other reporting capabilities. This will be in place by October 2016. The adjusted annual settlements have been filed with the County Clerk.

Mailing commissions will reflect the correct percentages. The mailing commission adjustments will be made this December when funds become available. I have consulted with our new computer programmer that will be handling the adjustments. I have been assured the mailing commission programming will be fixed and updated as needed when fees and penalty calculations change statutorily. We will check every year to make sure they are still calculating correctly.

Reports have been given to the County Clerk and County Treasurer to ensure corrections will be made for December 2014 and 2015 mailing commissions.

4. County Procedures

Procedures related to county budgets and fuel use need improvement.

4.1 County budget

The County Clerk failed to submit a certified copy of the 2016 and 2014 county budgets to the State Auditor's Office in accordance with state law. In addition, the 2015 county budget was not submitted timely (75 days after approved by the County Commission).

Section 50.740.2, RSMo, requires the county clerk to file a certified copy of the budget with the state auditor within 5 days of approval.



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4.2 Fuel use

The county does not reconcile fuel logs to fuel billings. During the year ended December 31, 2015, the road and bridge department and Sheriff's office purchased fuel totaling \$31,776 and \$38,087, respectively.

The fuel purchased by the county is stored in two bulk fuel tanks at the road and bridge facility. Although mileage and fuel usage logs are maintained for the road and bridge department and the Sheriff's office vehicles, and county officials review the individual vehicle logs for reasonableness of fuel usage, the logs are not reconciled to fuel purchases.

Procedures for reconciling fuel use to fuel purchases are necessary to prevent paying vendors for improper amounts and decrease the risk of loss, theft, or misuse of fuel going undetected.

A similar condition was noted in our prior audit report.

Recommendations

- 4.1 The County Clerk submit a certified copy of the county budget to the State Auditor within 5 days of approval as required by state law.
- 4.2 The County Commission require reconciliation of fuel and usage logs to fuel purchases. Any significant differences should be investigated.

Auditee's Response

- 4.1 *The budget is submitted on time in the same format it is received by the state which is electronically. The County Clerks' Association would like to work with the State Auditor's Office and State Legislators to revise antiquated statutes such as Section 50.740.2, RSMo, to meet modern, generally accepted practices. The aforementioned statute was implemented in 1939, and last revised in 1965. At this time tax dollars are being spent unnecessarily to meet this demand. We acknowledge the fact it is the State Auditor's responsibility to note any statute that isn't being followed to its entirety but also would like to note that it is not efficient use of time or tax dollars to continue this process. Counties are required to print a massive document, send it certified mail, then in return the State Auditor's Office is required to send by registered mail the receipt of delivery. When the document is sent in paper format the state will call and request we send it to them in electronic form. In the future the budget will be sent both electronically and in paper format.*
- 4.2 *The County requires fuel be delivered in state certified, metered trucks. Receipts from delivery trucks are reconciled to monthly statements from gas company. A security camera was installed at gas pumps in 2007. Fuel Usage Logs were developed in 2007 that show date, employee name, vehicle inventory number, odometer readings, fuel pump meter readings, and number of gallons*



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pumped. These forms are available in the County Clerk's Office. The County Commission will encourage each department to use these logs in the future and will recommend the fuel in tanks be measured on a regular basis.

5. Electronic Data Security

County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. County employees in the offices of the County Assessor, County Clerk, Prosecuting Attorney, and Public Administrator are not required to change passwords periodically, which increases the risk of a compromised password.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not required to be periodically changed, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique, confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

Recommendation

The County Commission work with county officials to require employees to periodically change passwords to prevent unauthorized access to computers and data.

Auditee's Response

The County server is backed up externally daily with data stored off site. Offices who have more than one computer are typically networked together for that office's use only with each employee having their own username and password. Certain areas are blocked as read only. Some passwords in areas where there is sensitive information, are changed on a regular basis (60-90 days), others are annually. The County Commission will send out a memo recommending all passwords be changed more often.

Cedar County

Organization and Statistical Information

Cedar County is a county-organized, third-class county. The county seat is Stockton.

Cedar County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 62 full-time employees (including elected officials) and 13 part-time employees on December 31, 2015.

In addition, county operations include a Senior Citizens' Services Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Marlon Collins, Presiding Commissioner	\$	29,060
Don Boultinghouse, Associate Commissioner		27,060
John A. Fox, Associate Commissioner		27,060
Carole Wilkerson, Recorder of Deeds		41,000
Peggy Kenney, County Clerk		41,000
Ty Gaither, Prosecuting Attorney		134,385
Leon Dwerlkotte, Sheriff		45,000
Ronnie Miller, County Treasurer		41,000
C. W. Bill Neale, County Coroner		13,000
Charlotte Haden, Public Administrator		41,000
Joan Haines, County Collector, year ended February 29,	41,000	
Chad E. Pyle, County Assessor, year ended August 31,		41,000
Charles (Mark) Francis, County Surveyor (1)		

(1) Compensation on a fee basis.

New sales tax

In April 2016, voters passed a 0.50 percent sales tax for the purpose of paying for county road and bridge improvements, public safety improvements, and other operating expenses of county government. A portion of this sales tax (0.25 percent) will expire on September 30, 2026, unless reauthorized by the voters.



Office of Missouri State Auditor
Nicole Galloway, CPA

Village of McCord Bend



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Village of McCord Bend

Internal Control, Records, and Procedures	The Board of Trustees has not adequately segregated accounting duties or performed adequate reviews of the work performed by the Village Clerk. There are inadequate receipting and depositing procedures. The Village Clerk does not perform bank reconciliations for the village's 5 accounts and does not maintain cumulative book balances. The village also does not track the beginning and ending balances of the Road Fund and General Fund, and has no documented basis for the allocation of expenses between these funds.
Disbursements	The village did not have written contracts for road repair and bookkeeping services for the year ending June 30, 2015. In addition, a contract for the water tower painting project was not updated or amended after a significant change was incurred on the project, and the village also did not solicit formal bids as required by village policy for the project. The village did not issue a 1099-MISC form for payments to the bookkeeping firm.
Water System Controls	The village is not following its shut-off ordinance and has not developed adequate procedures to monitor and collect delinquent water accounts. The village does not have a written policy regarding partial payments by customers who have delinquent accounts, and customers are allowed to make partial payments without Board approval. Refundable water deposit monies held in the water fund account are not accounted for properly.
Budgets and Financial Reporting	The Water Fund budget for the fiscal year ended June 30, 2016, was not approved until February 2016. The Board does not adequately monitor budget-to-actual receipts and disbursements, and budget amendments were not completed when necessary. The village does not publish or post semiannual financial statements or file annual financial reports with the State Auditor's Office as required by state law.
Street Maintenance and Repair	The village has not developed a formal street maintenance plan.
Sunshine Law Compliance and Ordinances	The village's closed meeting procedures did not always comply with the Sunshine Law, and the village has not adopted a written policy regarding public access to village records. Village ordinances are not complete or up to date.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Village of McCord Bend

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Chairman
and
Members of the Board of Trustees
Village of McCord Bend, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of McCord Bend. We have audited certain operations of the village in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2016. The objectives of our audit were to:

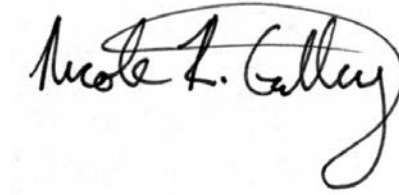
1. Evaluate the village's internal controls over significant management and financial functions.
2. Evaluate the village's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Village of McCord Bend.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	Tessa Rusatsi, CPA

Village of McCord Bend

Management Advisory Report

State Auditor's Findings

1. Internal Controls, Records, and Procedures

There are significant weaknesses in village internal controls, records, and procedures.

1.1 Segregation and oversight

The Board of Trustees (Board) has not adequately segregated accounting duties or performed adequate reviews of the work performed by the Village Clerk. The Board appointed one of its members to serve as Village Clerk. The Village Clerk receives no salary but does receive reimbursement for mileage to carry out village business.

The Village Clerk is responsible for receiving, receipting and depositing monies, and preparing and distributing checks. Adequate independent review of this work is not performed. The village retains the services of a bookkeeping firm to maintain the accounting records, prepare and mail the water bills, track the accounts receivable, and prepare the monthly financial reports and the annual budget documents. The Board reviews the monthly financial reports, but does not review any supporting documentation.

Blank checks are often signed in advance by one Board member at monthly meetings so the Village Clerk can complete the date, payee, and amount, and apply her signature to checks to pay bills as received. The Village Clerk indicated this procedure was necessary to avoid late payment fees for several vendors whose bills are received after monthly Board meetings but are due before the next Board meeting. Although a second signature is required on checks, signing in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by multiple signatures.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If segregation of duties is not possible, a timely supervisory review by the Board should be performed and documented. To ensure proper review and approval of disbursements checks should not be signed in advance.

1.2 Receipting and depositing procedures

The village has weaknesses in the following receipting and depositing procedures.

- The Village Clerk does not issue receipt slips for payments received by check or money order unless a receipt is requested, and a receipt log is not maintained for payments. Because receipt slips are not issued and a receipt log is not maintained for all monies received, the Village Clerk cannot reconcile the composition of receipts to the composition of deposits. As a result, there is less assurance monies collected are properly handled, recorded, and deposited.



Village of McCord Bend
Management Advisory Report - State Auditor's Findings

- The Village Clerk does not restrictively endorse checks until a deposit is prepared. To reduce the risk of loss, theft, or misuse of funds, checks should be restrictively endorsed immediately upon receipt.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected and accounting records will contain errors.

1.3 Bank reconciliations

The Village Clerk does not perform bank reconciliations for the village's 5 accounts and does not maintain cumulative book balances for these accounts. As a result, account balances are not properly monitored.

Monthly bank reconciliations help ensure bank and book balances are in agreement and errors are detected and corrected timely. Maintaining a book balance for each account would also aid in preparing the monthly bank reconciliations and monitoring account balances.

1.4 Fund balances and allocation

The village does not track the beginning and ending balances of the Road Fund and General Fund. The village has no documented basis for the allocation of expenses between the Road and General Funds, and some expenses charged to the Road Fund may not be allowable.

- The village does not adequately track the beginning and ending balances of the Road Fund and General Fund. These two funds are held in the same bank account, and while receipts and disbursements are tracked separately, the balances are not. Village records for the current year indicate the balance for the Road Fund increased \$5,167 and the balance for the General Fund decreased \$8,620. However, since no beginning balances are recorded, the village cannot determine the balance of each fund.
- During the period July 1, 2014, through March 1, 2016, the village paid electric and telephone expenses for the village hall and professional fees, totaling \$6,115. The village allocated \$3,777 or approximately 62 percent of these expenses to the Road Fund. However; the village has no documentation to support the allocation rates used or whether there were standard allocation rates.
- The village has not conducted an analysis to ensure the allocated expenses discussed above are allowable uses of state motor vehicle-related road tax monies.

Because the village does not separately track the balance of the Road Fund, has not documented the basis for the allocation of expenses to the Road Fund, and has not conducted an analysis to ensure expenses charged to the Road Fund are allowable, the village cannot show that road funds are only used for road purposes.



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Article IV, Sections 30(a) and 30(b), Missouri Constitution, requires motor vehicle-related receipts apportioned by the state of Missouri be used for road-related purposes. The maintenance of Road Fund balances, the documentation of the basis of allocation of expenses, and a formal evaluation of the expenses charged to the Road Fund are necessary to ensure road monies are only spent for road purposes.

Recommendations

The Board of Trustees:

- 1.1 Segregate accounting duties to the extent possible and ensure documented supervisory reviews of the accounting records and bank records are performed. In addition, the Board should stop the practice of signing checks in advance.
- 1.2 Ensure receipt slips are issued for all monies received, the composition of receipts is reconciled to the composition of deposits, and checks are restrictively endorsed upon receipt.
- 1.3 Ensure monthly bank reconciliations are prepared and cumulative book balances are maintained for all bank accounts.
- 1.4 Identify and maintain beginning and ending fund balances separately for the Road Fund and General Fund, document the basis for allocation of expenses to the Road Fund, and conduct an analysis of expenses charged to the Road Fund to ensure proper usage of restricted monies.

Auditee's Response

- 1.1 *The Board will develop a system for Trustees to perform supervisory reviews over accounting records and bank records on a regular basis, and will include documentation of these reviews occurring. In addition, we will work to develop a system for signing checks.*
- 1.2 *The Board has started using pre-numbered receipts for all monies received and is showing all receipt numbers in the records. All checks are now endorsed upon receipt and reconciliation of deposits to receipts has been ongoing.*
- 1.3 *Bank reconciliations are now being performed and book balances are being maintained.*
- 1.4 *Information is being gathered to determine the book balances for the General and Road Funds more accurately. The Board will determine and set an allocation policy for shared expenses between the two funds.*



Village of McCord Bend
Management Advisory Report - State Auditor's Findings

2. Disbursements

Weaknesses exist in controls and procedures over disbursements.

2.1 Written contracts

The village did not have written contracts for road repair services costing \$6,418 and bookkeeping services costing \$2,040 for the year ending June 30, 2015.

In addition, a contract for painting the water tower was not updated or amended after a significant change was incurred on the project. The village signed a contract for \$10,770, but the total project cost was \$13,236. The company added \$2,466 to the cost due to the size difference of the tower according to information on the tower plate. The tower was 11 feet taller than the height stated in the phone bid request. An amendment to the contract was not created for this change.

Clear and detailed written contracts, including reporting requirements and provisions to allow for proper monitoring, are necessary to ensure all parties are aware of their duties and responsibilities, prevent misunderstandings, and ensure village monies are used appropriately and effectively. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Formal written contract amendments are necessary when project terms change substantially.

2.2 Bidding

The village did not solicit formal bids as required by village policy for the water tower painting project costing \$13,236. The clerk indicated at least 3 water tower painting companies were contacted by phone but no documentation was retained.

Village policy requires supplies and contractual services to be bid when the estimated cost exceeds \$2,500 and contracts to be awarded to the lowest responsible bidder. In addition to being required by village policy, the routine use of a competitive procurement process for major purchases ensures the village has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in village business.

2.3 IRS reporting

The village did not issue a 1099-MISC form for payments totaling \$2,040 made to the bookkeeping firm during calendar year 2015.

Section 6041 of the Internal Revenue Code requires payments of \$600 or more for professional services or for services performed as a trade or business by non-employees (other than corporations) be reported to the federal government on 1099-MISC forms.



Village of McCord Bend
Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Trustees:

- 2.1 Obtain and retain written contracts for services which specify the services to be rendered and the manner and amount of compensation to be paid. In addition, updated contracts or amendments should be entered into when the job significantly changes.
- 2.2 Solicit bids and proposals as required by village ordinance.
- 2.3 Establish procedures to ensure 1099-MISC forms are issued when required.

Auditee's Response

- 2.1 *The Board is considering entering into contracts with significant service providers.*
- 2.2 *We agree. The Board is in the process of implementing this recommendation. We are considering the need to bid other significant purchases in accordance with village ordinances.*
- 2.3 *The Board is in the process of working with the bookkeeper to ensure a 1099-MISC is issued.*

3. Water System Controls

There are significant weaknesses related to the delinquent water customer account balances and accounting for water customer deposits.

3.1 Delinquent accounts

The village is not following its service shut-off ordinance and has not developed adequate procedures to monitor and collect delinquent water accounts. As a result, a significant amount of water fees has not been collected and the delinquent account balances continue to grow monthly. At March 30, 2016, delinquent account balances totaled over \$6,600 while water billings average approximately \$1,100 per month.

The Board established an ordinance to shut off water service to any customer with an overdue balance of \$200 or more, or when a customer has made no payment within 60 days after billing. However, the village has not consistently applied this ordinance for all delinquent accounts. The Board does not enforce the portion of the ordinance related to nonpayment exceeding 60 days and will only consider shutting off the customer's water after the unpaid balance reaches \$200 or more. At March 30, 2016, there were 13 delinquent account balances over \$200 and all accounts had been over this amount for at least two months. The total due from these 13 accounts was \$6,651 or about 6 times the average monthly billing for all customers. The meters for 4 of these accounts were shut off between the period of 1 year to 3 years ago, but the Board has not taken further action to collect the delinquent balances of \$2,926. The Board has taken no action to



Village of McCord Bend
Management Advisory Report - State Auditor's Findings

shut off service or collect balances of \$3,725 due from the other 9 delinquent accounts. One of these delinquent accounts, with an outstanding balance of \$609, belongs to a current Board member.

To help maximize utility revenues, procedures should be developed to ensure adequate steps are taken to collect delinquent accounts and shut off service in accordance with village ordinance.

3.2 Partial payments

The village does not have a written policy regarding partial payments by customers who have delinquent accounts, and customers are allowed to make partial payments without Board approval. Customers making partial payments are not required to sign an agreement approved by the Board for the payment arrangements.

A written policy is necessary to establish and document the process to determine when payment plans are allowed, how the payment amount is to be established, and the approval process for these arrangements. In addition, a signed written payment agreement is necessary to indicate the intent of the customer to pay the outstanding balance and to aid in accounting for and collecting amounts due.

3.3 Water deposits

Refundable water deposit monies held in the water fund account are not accounted for properly. The village does not have a listing of deposits held and is not properly tracking deposits. Village policy is to collect deposits of \$50 from homeowners and \$100 from renters when the account is activated. The village currently has 48 water accounts, but customer account records are not adequate to determine the amount of deposits held. The Water Fund bank account balance was \$683 as of June 30, 2016, which is significantly less than \$2,400 that should be in the balance if all 48 water accounts pertained to homeowners. The current village clerk indicated the prior village clerk applied the deposit to the customer's account after the first year if the customer made no more than 2 late payments in the year and had no overdue receivable balance. The current village clerk indicated she applies this deposit when the customer terminates service.

Refundable water deposit monies are restricted funds held for customers. The Board should review water customer deposit records to ensure all customer deposits are accounted for properly. In addition, the village clerk should maintain an accurate listing of all water deposits held and reconcile the list monthly to monies held in the Water Fund bank account.

Recommendations

The Board of Trustees:

- 3.1 Ensure compliance with the village's water shut off ordinance and establish procedures for ongoing monitoring and collection of delinquent accounts. In addition, the Board should discontinue the



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practice of allowing village officials to carry delinquent water account balances.

- 3.2 Establish a written policy regarding partial payments, and ensure signed written agreements are prepared and approved by the Board.
- 3.3 Ensure an accurate list of water deposits is prepared and reconciled monthly to monies in the Water Fund bank account. Any discrepancies should be investigated and resolved.

Auditee's Response

- 3.1 *The Board is implementing a revised ordinance after this was brought to their attention by the auditors in June 2016, with the new ordinance taking effect with the September 2016 water billings. The Board member has entered into an agreement to make additional payments on this water bill.*
- 3.2 *The Board is in the process of adding partial payments policies and procedures to the ordinances.*
- 3.3 *The Board will ensure that an accurate list of utility deposits is prepared and reconciled with the escrow account. In addition, after communications from the auditor, the Clerk has started to make a listing of the deposits, starting with those collected since this was brought to our attention by the auditors in May 2016.*

4. Budgets and Financial Reporting

Problems were noted with the village's budgets and significant improvement is needed in financial reporting practices.

4.1 Budgets

Budgetary requirements

The Water Fund budget for the fiscal year ended June 30, 2016, was not approved until February 2016.

Section 67.030, RSMo, states the governing body shall approve and adopt the annual budget prior to the beginning of the fiscal year.

Budget monitoring

The Board does not adequately monitor budget-to-actual receipts and disbursements, and budget amendments were not completed when necessary. In 2015, actual expenditures exceeded budgeted expenditures in the Road Fund and Water Fund. A large part of the overage in the Water Fund during 2015 was due to vandalism of the water tower and the water tower painting contract discussed in MAR finding number 2.



Village of McCord Bend Management Advisory Report - State Auditor's Findings

Failure to adhere to limits imposed by budgets weakens the Board's effectiveness in controlling the village's financial condition. The Board should ensure monthly budget-to-actual comparisons are received and reviewed prior to approving disbursements.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted, but allows for budget increases if the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no disbursement of public monies should be made unless it is authorized in the budget. Proper monitoring and amending prior to disbursing funds is necessary for the budget to be an effective management tool and comply with state law.

4.2 Published financial statements

The village does not publish or post semiannual financial statements as required by state law. As a result, information regarding the village's financial activity and condition is not available to citizens.

Section 80.210, RSMo, requires the Board prepare and publish semiannual financial statements in a local newspaper, or if there is no local newspaper, to post semiannual financial statements in at least six of the most public places in the village.

4.3 Financial reporting

The village does not file annual financial reports with the State Auditor's Office as required by state law. The village last submitted a financial report in November 2007 for the fiscal year ending June 30, 2007.

Section 105.145, RSMo, requires each political subdivision to file an annual report of its financial transactions with the State Auditor's Office.

Recommendations

The Board of Trustees:

- 4.1 Adopt complete annual budgets prior to the beginning of the fiscal year. In addition, the Board should monitor budget-to-actual receipts and disbursements and ensure amendments are completed as appropriate.
- 4.2 Publish or post semiannual financial statements as required by state law.
- 4.3 File annual financial reports with the State Auditor's Office as required by state law.

Auditee's Response

- 4.1 *The Board agrees and will ensure the budgets are approved prior to the beginning of the fiscal year. The Board will work with the village bookkeeper to implement procedures to monitor and amend the budgets as necessary.*



Village of McCord Bend
Management Advisory Report - State Auditor's Findings

- 4.2 *This will be implemented and the financial statement will either be published in a local newspaper or posted in the necessary places throughout the village. This should begin with the December 31, 2016, report.*
- 4.3 *This will be implemented and the necessary report filed with the State Auditor's office beginning with the June 30, 2016, report.*

5. Street Maintenance and Repair

The village has not developed a formal annual maintenance plan for village streets. We observed village streets in various states of disrepair, noting numerous potholes, and cracking and crumbling pavement.

A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and approved by the Board. In addition, a public hearing should be held to obtain input from village citizens.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

Recommendation

The Board of Trustees establish a formal annual street maintenance plan.

Auditee's Response

The Board will work to develop a formal annual maintenance plan for the village roads.

6. Sunshine Law Compliance and Ordinances

The village did not always ensure compliance with the Sunshine Law and improvement is needed with village ordinances.

6.1 Closed Meetings

The village's closed meeting procedures did not always comply with the Sunshine Law. We noted the following problems with Board meetings and minutes.

- A July 2015 closed meeting was not properly posted.
- We identified a discussion in the June 9, 2015, closed meeting that is not allowed by law. The closed meeting minutes indicated discussions occurred regarding forgiving part of an individual's water account balance.



Village of McCord Bend Management Advisory Report - State Auditor's Findings

- Roll call votes to enter into closed session were not recorded in the open session minutes for all 3 closed sessions held from July 2014 to June 2016.

The Sunshine Law, Chapter 610, RSMo, requires posting of meetings at least 24 hours prior to the meeting, limits discussions in closed meetings to only those specifically allowed by law, and requires a roll call vote before closing a meeting.

6.2 Public access policy

The village has not adopted a written policy regarding public access to village records as required by Section 610.028, RSMo. A written policy regarding public access to village records would establish guidelines for the village to make records available to the public. This policy should identify a person to contact, provide an address to mail such requests, and establish fees which may be assessed for providing copies of public records.

In addition, Section 610.023, RSMo, lists requirements for making records available to the public, and Section 610.026, RSMo, allows the village to charge fees for providing access to and/or copies of public records and provides requirements related to fees.

6.3 Ordinances

Village ordinances are not complete or up-to-date. Ordinance numbers 1 and 3 are no longer present with the current ordinances and there is no documentation stating the ordinances have been rescinded.

In 1993, the village adopted an ordinance requiring all dogs and cats to be licensed. In 1998, the village established a nuisance ordinance, created the office of Village Marshall by ordinance, and established ordinances prohibiting speeding and resisting arrest. The village has not enforced the pet licensing, nuisance, or speeding ordinances and the office of Village Marshall has been vacant for a number of years.

Because ordinances passed by the Board to govern the village and its residents have the force and effect of law, it is important ordinances be current, complete, and organized. In addition, the Board should ensure current ordinances are enforced or rescinded if there is no intent or means to enforce them.

Recommendations

The Board of Trustees:

- 6.1 Ensure notice for all meetings is posted, topics discussed in closed meetings are allowed by law, and roll call votes are taken and documented when entering closed session.
- 6.2 Develop written policies regarding procedures to obtain access to or copies of public records.



Village of McCord Bend
Management Advisory Report - State Auditor's Findings

Auditee's Response

- 6.3 Ensure ordinances are maintained in a complete, well-organized, and up-to-date manner, and an index of ordinances passed and rescinded is established. In addition, the Board should ensure that ordinances are enforced or rescinded as appropriate.
- 6.1 *The Board will ensure all closed meetings are properly posted, roll call votes are taken to enter into closed session, and closed session topics are limited to those allowed in the Sunshine Law.*
- 6.2 *The Board will adopt a public access policy to ensure clear documentation of fees and access to village records.*
- 6.3 *The Board will review village ordinances with the goal of constructing a complete updated set of ordinances in an organized manner and adopt supplemental ordinances as necessary.*

Village of McCord Bend

Organization and Statistical Information

The Village of McCord Bend is located in Stone County. The Village was incorporated in 1992. The Village has no employees. A member of the Board of Trustees serves as the Village Clerk. Village operations include drinking water services and street maintenance.

Chairman and Board of Trustees

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The Chairman and the Village Clerk are members of the Board and are appointed by the Board of Trustees. Members of the Board of Trustees, at June 30, 2016, are identified below. The Village Clerk receives no salary but does receive reimbursement for mileage to carry out village business. The Chairman and other members of the Board are paid minimal amounts on a per occurrence basis for providing mowing and other minor services.

Richard Brunken, Chairman
Cynthia R Brunken, Village Clerk
Melissa R. Turner
Ed Wallace
Matthew Sczenski

Financial Activity

A summary of the village's financial activity for the year ended June 30, 2016, follows:

Village of McCord Bend
Schedule of Receipts, Disbursements, and Changes in Cash
Year Ended June 30, 2016

	General Fund	Road Fund	Water Fund	Bond Reserve Fund	Replacement & Extension Fund	Total
RECEIPTS						
Interest	49	0	0	6	17	72
Miscellaneous income	32	0	7,921	0	0	7,953
Property tax	3,345	0	0	0	0	3,345
Road tax	0	13,690	0	0	0	13,690
Water usage fees	0	0	13,640	0	0	13,640
Incoming transfers	0	0	3,000	0	539	3,539
Total Receipts	3,426	13,690	24,561	6	556	42,239
DISBURSEMENTS						
Advertisements	67	0	0	0	0	67
Automobile expense	1,059	0	0	0	0	1,059
Bank charges	190	0	12	0	0	202
Contract labor	325	0	0	0	0	325
Dues and subscriptions	150	300	0	0	0	450
Insurance	2,476	0	0	0	0	2,476
Interest and principal rural development debt expense	0	0	5,880	0	0	5,880
Licenses and permits	0	0	527	0	0	527
Maintenance contracts	0	0	7,866	0	0	7,866
Office supplies	45	0	0	0	0	45
Postage and delivery	326	0	237	0	0	563
Professional fees	480	720	840	0	0	2,040
Repairs	1,589	6,163	9,947	0	0	17,699
Supplies	684	0	22	0	0	706
Telephone	257	480	0	0	0	737
Utilities	1,398	860	1,147	0	0	3,405
Water hookup fee refunds	0	0	55	0	0	55
Transfers out	3,000	0	539	0	0	3,539
Total Disbursements	12,046	8,523	27,072	0	0	47,641
RECEIPTS OVER(UNDER) DISBURSEMENTS	(8,620)	5,167	(2,511)	6	556	(5,402)
Adjustment to year end balances	141	0	(190)	0	0	(49)
CASH BALANCE, JULY 1, 2015	46,775 (1)	-	3,384	6,283	17,012	73,454
CASH BALANCE, JUNE 30, 2016	43,463 (1)	-	683	6,289	17,568	68,003

(1) These totals represent the combined General Fund and Road Fund cash balances that are combined in the village's financial records.



Office of Missouri State Auditor
Nicole Galloway, CPA

Carter County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Carter County

Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney's office does not generate a monthly list of unpaid bad checks and restitution, and is not proactive in identifying cases with unpaid receivables. The Prosecuting Attorney has not established adequate procedures to ensure charges are filed timely with the court for unresolved bad check complaints.
Sheriff's Controls and Procedures	The Sheriff's office personnel do not restrictively endorse checks and money orders immediately upon receipt, and monies received are not deposited timely.
Electronic Data Security	County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Employees in the offices of the County Clerk, Sheriff, Assessor, Prosecuting Attorney, and Collector are not required to change passwords periodically and some passwords are shared by employees, which increases the risk of a compromised password.
Property Tax System	The County Collector's computer system cannot generate a detailed report of voided or deleted transactions and adequate documentation is not retained to support such transactions.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Carter County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Carter County

We have audited certain operations of Carter County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Carter County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

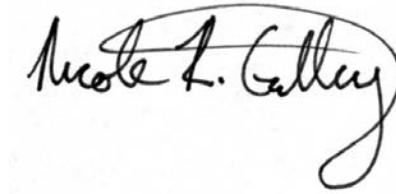
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Carter County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Christopher A. McClain
	Dacia Rush, M.Acct.
	Joel Stucky

Carter County Management Advisory Report State Auditor's Findings

1. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected monies for bad checks, restitution and related fees, and other miscellaneous receipts totaling approximately \$17,000 for the year ended December 31, 2015.

1.1 Accounts receivable

Improvement is needed to better monitor and pursue collection of unpaid receivables. The Prosecuting Attorney's office does not generate a monthly list of unpaid bad checks and restitution, and is not proactive in identifying cases with unpaid receivables.

A complete and accurate list of unpaid bad checks and restitution would allow the Prosecuting Attorney's office to more easily review the amounts due to the office and to take appropriate steps to ensure amounts owed are collected or to determine if amounts are uncollectible.

1.2 Charges filed

The Prosecuting Attorney has not established adequate procedures to ensure charges are filed timely with the court for unresolved bad check complaints. We reviewed 10 cases that had charges filed and determined the Prosecuting Attorney did not file charges timely for 9 of them. The number of days between receiving the initial bad check complaint and filing charges ranged from 72 to 294. For example, the Prosecuting Attorney's office received a bad check complaint from a local vendor on July 17, 2014, and the Prosecuting Attorney's office issued a 10-day letter on July 21, 2014; however, he did not file charges against the bad check writer until April 17, 2015.

Procedures should be established to ensure charges are filed timely with the court for unresolved bad check complaints. Untimely filing of charges with the court may limit the ability to collect bad check payments for merchants.

Recommendations

The Prosecuting Attorney:

1.1 Establish procedures to monitor and collect accounts receivable.

1.2 Establish procedures to file charges with the court timely.

Auditee's Response

The County Commission provided the following response:

Ernie Richardson resigned as the Carter County Prosecuting Attorney effective June 30, 2016. In August 2016, Amanda Oesch was appointed by the Governor to replace him. Once she has been sworn in to office, we will advise her of these recommendations.



Carter County
Management Advisory Report - State Auditor's Findings

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected monies for civil fees, conceal and carry weapon permits, bonds, board bills, jail phone commissions, inmate commissary funds, and other miscellaneous fees totaling approximately \$72,000 for the year ended December 31, 2015.

2.1 Receipts

Office personnel do not restrictively endorse checks and money orders immediately upon receipt. They restrictively endorsed them when the weekly deposit is prepared. A cash count performed on April 20, 2016, identified 11 checks totaling \$3,159 that had not been restrictively endorsed.

Failure to implement adequate receipting procedures increases the risk of loss, theft, or misuse of monies and the likelihood that errors will go undetected. Procedures should be established to ensure all monies received are restrictively endorsed immediately upon receipt.

2.2 Deposits

Monies received are not deposited timely. Deposits are typically made weekly into the fee bank account. For example, office personnel deposited \$1,275 received from November 13, 2015, through November 20, 2015, on November 24, 2015.

To safeguard receipts and to reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are deposited timely.

Similar conditions previously reported

A similar condition to section 2.1 was noted in our prior audit report and a similar condition to section 2.2 was noted in our prior 2 audit reports. Additionally the *Follow-Up Report on Audit Findings - Carter County*, Report No. 2013-42 (section 4.2), issued in May 2013, reported the status, at that time, as implemented. The current Sheriff needs to take steps to correct these weaknesses.

Recommendations

The Sheriff:

- 2.1 Restrictively endorse checks and money orders immediately upon receipt.
- 2.2 Ensure receipts are deposited timely.

Auditee's Response

- 2.1 *We have started endorsing checks and money orders immediately upon receipt.*
- 2.2 *We evaluate the amount received daily. If over \$500, it is immediately deposited. If less than \$500, it is usually deposited the next day.*



Carter County
Management Advisory Report - State Auditor's Findings

3. Electronic Data Security

County officials have not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Employees in the offices of the County Clerk, Sheriff, Assessor, Prosecuting Attorney, and Collector are not required to change passwords periodically and some passwords are shared by employees, which increases the risk of a compromised password.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not required to be periodically changed or kept confidential, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique, confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

Recommendation

The County Commission work with county officials to require employees to periodically change passwords and emphasize the importance of keeping passwords confidential to prevent unauthorized access to computers and data.

Auditee's Response

The County Commission provided the following response:

We will make recommendations that each office change passwords every 90 days for security purposes.

The County Sheriff provided the following response:

We will periodically review and will change passwords at least quarterly.

The County Assessor provided the following response:

The recommendation is duly noted and we will make every effort to put the recommendation in place. We will be obtaining new computers and will implement this recommendation to follow in the near future.

The County Collector provided the following response:

The current passwords the County Collector's office use to access the billing software are kept confidential. The County Collector's office will implement changing the passwords on a quarterly basis beginning the first of September 2016 and every employee will be given his/her own password to logon to the office computers. Currently the office has 2 employees that access the office computers.



Carter County
Management Advisory Report - State Auditor's Findings

4. Property Tax System

The County Collector's computer system cannot generate a detailed report of voided or deleted transactions and adequate documentation is not retained to support such transactions. The County Collector's office processed collections totaling approximately \$3 million during the year ended February 29, 2016.

Retaining documentation to support voided or deleted transactions helps ensure such transactions are appropriate and reduces the risk of errors, loss, theft, or misuse of funds.

Recommendation

The County Collector maintain documentation of all voided and deleted transactions and work with the computer programmer to develop a voided and deleted transaction report that can be periodically compared to supporting documentation.

Auditee's Response

Since the day it was found out that the County Collector's billing program could not print out a detailed report on voided or deleted receipts, the County Collector implemented a new policy that when any receipt has to be voided or deleted for any reason, the receipt must be printed out and the batch number and receipt number along with an explanation must be written on the voided/deleted receipt. The County Collector has requested that the billing program company add the receipt numbers to be automatically printed on the receipts in the future. Previously the procedure was to write down any deleted/voided receipts or batches in a journal always kept in the office.

Carter County

Organization and Statistical Information

Carter County is a county-organized, third-class county. The county seat is Van Buren.

Carter County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 37 full-time employees (including elected officials) and 11 part-time employees on December 31, 2015.

In addition, county operations include a Senate Bill 40 Board and a Senior Citizens' Service Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Donald Black, Presiding Commissioner	\$	23,800
Lynn Murdick, Associate Commissioner		21,800
Eddie Ballard, Associate Commissioner		21,800
Pauline Peterman, Recorder of Deeds		32,000
Leona Stephens, County Clerk		32,000
Ernie Richardson, Prosecuting Attorney		40,000
Richard Stephens, Sheriff		39,000
Velvet Ricker, County Treasurer		32,000
Erik McSpadden, County Coroner		9,000
Mary Jo Sanders, Public Administrator		20,000
Lisa Goodwin, County Collector (1), year ended February 29,	29,935	
Debbie Turley, County Collector (1), year ended February 29,	1,118	
George Meyers, County Assessor, year ended August 31,		32,000

(1) Debbie Turley served as County Collector until March 15, 2015. Lisa Goodwin was appointed the Carter County Collector and sworn into office on March 25, 2015.



Office of Missouri State Auditor
Nicole Galloway, CPA

Orchard Farm R-V School District
Student Data Governance



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Cyber Aware School Audit of the Orchard Farm R-V School District

Background	The Orchard Farm R-V School District's Student Data Governance Audit was completed as part of the Cyber Aware School Audits Initiative. These audits are designed to assess the effectiveness of privacy and security controls with a focus on identifying practices to improve the security of information school districts have on students and their families. The district uses a student information system (SIS) to maintain student data and to track and monitor academic progress. The SIS maintains private and confidential data, such as assessment test scores and other sensitive data. Additional systems and applications that maintain data are used for administrative functions and to enhance student productivity and classroom collaboration. The district relies extensively on computerized systems to support its educational and mission-related operations and on information security controls to protect the sensitive data residing on those systems. Auditors identified areas where improvements are needed but also found the district has developed certain controls to establish a safe environment for using technology, including promoting online safety, security, and confidentiality.
Data Governance	The district has not completed establishing a comprehensive data governance program, a critical task for any educational organization. A comprehensive program is necessary to ensure the confidentiality, integrity, availability, and quality of data. Without a formal program, the district cannot ensure that personally identifiable information (PII) is adequately protected and safe from unauthorized access, misuse, or inadvertent disclosure.
Review of User Access	The district does not perform periodic reviews of users' access to data to ensure access remains appropriate and aligned with job duties. As users' work assignments and job responsibilities change, access rights to systems may be added, changed, or removed. Over time, users can accumulate access rights that are no longer necessary, increasing the risk of inappropriate access to data.
Security Controls	The district has not implemented or documented policies and procedures for certain security controls, leaving district technology assets, including PII, at risk of inappropriate access, use, and disclosure. The district has not documented policies and procedures to identify the types of security events to be logged and monitored. The district has not documented policies and procedures for certain security controls. Without documented and approved policies and procedures, management may not have assurance that control activities are appropriate and properly applied.
Continuity Planning	The district has not completed or formally tested its continuity plan. District personnel created a continuity plan in 2013; held discussions to add key contacts and vendors to the plan; and updated the plan in July 2016, indicating the district has made progress. However, the plan needs to be completed and formally tested. Without a tested and functional continuity plan, management has limited assurance the organization's business functions and computer processing can be sustained during or promptly resumed after a disruptive incident.

Vendor Controls

The district has not established a process for ensuring software acquired or outsourced from information technology vendors complies with data security principles, and the district's contract for a key system does not fully define expectations over securing and accessing district data. Data maintained by the system is hosted locally by the district. However, data is also routinely backed up to the vendor site. Without an effective process for monitoring and managing risk of software acquisition or outsourcing, and without fully defining expectations over district data, the district has less assurance in a vendor's ability to deliver services effectively, securely, and reliably and to ensure that services meet current and future data privacy and security needs.

Because of the nature of this report, no overall rating is provided.

All reports are available on our Web site: auditor.mo.gov

Orchard Farm R-V School District Student Data Governance

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Board of Education
Orchard Farm R-V School District

Due to increasing concerns for protecting the security and privacy of information schools maintain on students and the continued emergence of cyber threats, we have audited the Orchard Farm R-V School District's student data governance program in fulfillment of our duties under Chapter 29, RSMo. This audit was conducted as part of the State Auditor's Cyber Aware School Audits Initiative and focused on evaluating the effectiveness of the data governance program, including identifying cybersecurity safeguards and privacy controls that help schools improve the security of student data.

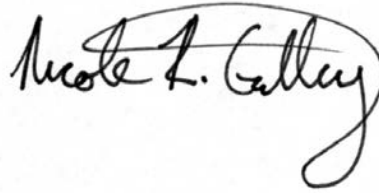
The objectives of our audit were to:

1. Evaluate the effectiveness of privacy plans and controls for safeguarding personally identifiable information.
2. Evaluate the effectiveness of information security controls for protecting the confidentiality, integrity, and availability of significant systems and information technology resources.
3. Evaluate compliance with certain legal provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) the need to fully establish certain privacy plans and controls, (2) the need to fully establish certain information security controls for protecting the confidentiality, integrity, and availability of significant systems and information technology resources, and (3) no significant noncompliance with legal provisions.

The accompanying Management Advisory Report presents our findings arising from our audit of the Orchard Farm R-V School District's student data governance program.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
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Orchard Farm R-V School District Student Data Governance

Introduction

Background

The Orchard Farm R-V School District Student Data Governance Audit was completed as part of the Cyber Aware School Audits Initiative. These audits are designed to assess the effectiveness of privacy and security controls with a focus on identifying practices to improve the security of information school districts have on students and their families.

The district uses a student information system (SIS) to maintain student data and to track and monitor academic progress. The SIS maintains private and confidential data, such as student names and addresses, assessment test scores, and other sensitive data. The district uploads various student data maintained in the SIS to the Department of Elementary and Secondary Education (DESE), Missouri Student Information System (MOSIS) Data Collection component periodically throughout the year. The MOSIS Data Collection component is used to collect student-level data from school districts for processing and reporting. Data submitted by the district includes elements such as enrollment and attendance, demographics, performance information, and college and career data used for evaluating the success and achievements of students. The district also uses a financial accounting system and a network management system for administering user access to various district resources. Other systems and applications are used for administrative functions and to enhance student productivity and classroom collaboration.

Cyber threats continue to emerge and evolve

As connectivity of business activity increases and organizations become increasingly dependent on technology, including computerized systems and electronic data, no school district is exempt from cyber threats, vulnerabilities, and privacy exposures. As a result, it is important to view information security and privacy as a business issue rather than strictly an information technology issue. Security threats, vulnerabilities, and privacy exposures challenge every organization, creating data protection and privacy risks that must be understood, addressed, and managed.

The National Institute of Standards and Technology (NIST) defines cybersecurity as the process of protecting information by preventing, detecting, and responding to attacks¹ while ISACA states cybersecurity encompasses all that protects enterprises and individuals from intentional attacks, breaches and incidents as well as the consequences.² Cybersecurity should be aligned with all other aspects of information security, including governance, management, and assurance. The state of being secure requires

¹ National Institute of Standards and Technology, Framework for Improving Critical Infrastructure Cybersecurity, Version 1, February 2014, is available at <<http://www.nist.gov/cyberframework/upload/cybersecurity-framework-021214-final.pdf>>.

² ISACA Cybersecurity Nexus, Transforming Cybersecurity, 2013.



Orchard Farm R-V School District Student Data Governance Introduction

maintenance and continuous improvement to meet the needs of stakeholders and the demands of emerging cyber threats.

In the 2015 High-Risk Series³ update, the Government Accountability Office (GAO) expanded the scope of the information security high-risk area to include protecting the privacy of personally identifiable information (PII).⁴ The GAO expanded this risk area due to the challenges of ensuring the privacy of PII created by advances in technology. Technology advances, such as lower data storage costs and increasing interconnectivity, have allowed both government and private sector agencies to collect and process extensive amounts of PII more effectively. Risks to PII can originate from unintentional and intentional threats. These risks include insider threats from careless, disgruntled, or improperly trained employees and contractors; the ease of obtaining and using hacking tools; and the emergence of more destructive attacks and data thefts.

Technology advances, combined with the increasing sophistication of individuals or groups with malicious intent, have increased the risk of PII being compromised and exposed. Correspondingly, the number of reported security incidents involving PII in both the private and public sectors has increased dramatically in recent years. At the same time, school districts are increasingly reliant on technology and information sharing to interact with students and parents and to deliver essential educational services. As a result, the need to protect information, including PII, against cyber threats is increasingly important.

The Privacy Rights Clearinghouse⁵ recorded breaches at kindergarten through grade 12 (K-12) educational institutions/school districts in the United States occurring during 2005 through 2015, potentially disclosing over 580,000 records of personal information.⁶ These breaches include only

³ Report GAO-15-290, Report to Congressional Committees, High-Risk Series An Update, February 2015, is available at <<http://www.gao.gov/assets/670/668415.pdf>>.

⁴ According to the Family Educational Rights and Privacy Act (FERPA), personally identifiable information (PII) includes, but is not limited to (a) the student's name; (b) the name of the student's parent or other family members; (c) the address of the student or student's family; (d) a personal identifier, such as the student's social security number, student number, or biometric record; (e) other indirect identifiers, such as the student's date of birth, place of birth, and mother's maiden name; and (f) other information that, alone or in combination, is linked or linkable to a specific student that would allow a reasonable person in the school community, who does not have personal knowledge of the relevant circumstances, to identify the student.

⁵ The Privacy Rights Clearinghouse is a nonprofit corporation whose mission is to engage, educate, and empower individuals to protect their privacy by raising awareness of how technology affects personal privacy.

⁶ Privacy Rights Clearinghouse, Chronology of Data Breaches, is available at <<http://www.privacyrights.org/data-breach>>. We downloaded a file containing all breaches and filtered the results to include only data breaches occurring at K-12 educational institutions.



Orchard Farm R-V School District Student Data Governance Introduction

those made public and the data reflects three data breach incidents at Missouri public school districts.

Data governance

According to the U.S. Department of Education, Privacy Technical Assistance Center (PTAC),⁷ data governance is an organizational approach to data and information management that is formalized as a set of policies and procedures encompassing the full life cycle of data, from acquisition to use to disposal. It includes establishing policies, procedures, and standards regarding data security and privacy protection, data inventories, content and records management, data quality control, data access, and data sharing and dissemination. Establishing a comprehensive data governance program helps ensure confidentiality, integrity, and availability of data and information by reducing data security risks due to unauthorized access or misuse of data.

Security and privacy controls

According to accepted standards, security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system to protect the confidentiality, integrity, and availability of a system and its information. Confidentiality refers to preserving authorized restrictions on information access and disclosure, including the means for protecting personal privacy and proprietary information. Integrity relates to guarding against improper information modification or destruction, and availability ensures timely and reliable access to and use of information. Effective privacy controls depend on the safeguards employed within the information system that is processing, storing, and transmitting PII and the environment in which the system operates. Organizations cannot have effective privacy without a basic foundation of information security. Without proper safeguards and controls, information systems and confidential data are vulnerable to individuals with malicious intentions who can use access to obtain sensitive data or disrupt operations.

Laws and regulations

Various federal and state laws and regulations pertain to the protection of sensitive student data, including the Family Educational Rights and Privacy Act (FERPA), the Individuals with Disabilities Education Act (IDEA), and the Protection of Pupil Rights Amendment (PPRA). Additionally, Section 161.096, RSMo, requires the State Board of Education to promulgate a rule regarding "student data accessibility, transparency, and accountability."⁸

⁷ U.S. Department of Education, Privacy Technical Assistance Center, Data Governance Checklist, is available at <http://ptac.ed.gov/sites/default/files/Data%20Governance%20Checklist%20%281%29.pdf>.

⁸ 5 CSR Section 20-700.100



Orchard Farm R-V School District Student Data Governance Introduction

Controls established

The district has an important responsibility for maintaining the privacy of student data and for implementing and maintaining information security controls. The district relies extensively on computerized systems to support its educational and mission-related operations and on information security controls to protect the sensitive data residing on those systems. While we found areas where improvements are needed, as discussed in the Management Advisory Report, we also found the district has established:

- A technology usage policy to facilitate access to district technology and to create a safe environment for using the technology, including promoting online safety, security, and confidentiality.
- A comprehensive privacy and security awareness training program to assure a complete understanding of the importance of privacy and security by all personnel.
- Security controls regarding logon banners, concurrent use, and the physical protection of technology resources, as well as formal appointment of a district security administrator.
- Documented procedures for incident response and data breach response.
- Policies and procedures, including applicable parent/student forms, required to be in compliance with the FERPA data disclosure and usage provisions.
- The controls and processes required to be in compliance with the Children's Internet Protection Act (CIPA).
- Certain controls designed to help ensure the privacy of data and to help ensure the confidentiality, integrity, and availability of significant systems and data maintained on those systems.

Cyber threats will continue to challenge operational resilience and business continuity preparedness. School districts can reduce the risks of breaches by remaining aware of emerging cyber threats and consider the potential impact to operational resilience.

Scope and Methodology

The scope of our audit included the Orchard Farm R-V School District's approach to data governance, including information security, privacy, and other relevant internal controls; policies and procedures; and other management functions and compliance issues in place.

Our methodology included reviewing written policies and procedures, and interviewing various district personnel. We obtained an understanding of the data governance approach and applicable controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violation of contract or other legal



Orchard Farm R-V School District Student Data Governance Introduction

provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We obtained a list of district employees as of June 2016 from the district's accounting system. We matched these records to the user account records from the district's student information system, financial accounting system, and network management system to determine if any terminated employees had active accounts. We also matched these records to users of the DESE statewide data collection systems. Although we used computer-processed data from these systems for our audit work, we did not rely on the results of any processes performed by these systems in arriving at our conclusions. Our conclusions were based on our review of the issues specific to the audit objectives.

We based our evaluation on accepted state, federal, and international standards; policies and procedures; and best practices related to information technology security and privacy controls from the following sources:

- National Institute of Standards and Technology (NIST)
- Government Accountability Office (GAO)
- ISACA (previously known as the Information Systems Audit and Control Association)
- U.S. Department of Education, Privacy Technical Assistance Center (PTAC)⁹

⁹ According to its web site, the U.S. Department of Education established the PTAC as a "one-stop" resource for education stakeholders to learn about data privacy, confidentiality, and security practices related to student-level longitudinal data systems. The PTAC provides information and guidance on privacy, confidentiality, and security practices through a variety of resources. PTAC information is available at <<http://nces.ed.gov/programs/ptac>>.

Orchard Farm R-V School District Student Data Governance Management Advisory Report State Auditor's Findings

1. Data Governance

The district has not completed establishing a comprehensive data governance program. As a result, there is less assurance the data management and protection procedures in place are effective in reducing data privacy and security risks due to unauthorized access or misuse of data.

According to the U.S. Department of Education, Privacy Technical Assistance Center (PTAC), data governance is necessary to ensure the confidentiality, integrity, availability, and quality of data. Establishing a data governance program is a critical task for any educational organization. An effective program requires establishing decision-making authority, defining policies and practices for the protection of sensitive data, identifying and gaining support of stakeholders, implementing the program, and monitoring its success. By clearly establishing policies, standard procedures, responsibilities, and controls for data activities, a data governance program helps to ensure that information is collected, maintained, used, and disseminated in a manner that protects privacy, confidentiality, and security, while allowing educational organizations to meet their missions.

During our review of the district's data governance approach, we found improvements are needed in the following component areas:

- Responsibility for data management
- Data stewardship
- Inventory of classified data
- Source and content of data
- Archival and/or destruction of data at the end of its lifecycle

The district has not formally assigned responsibility for management of the district's data. Assigning appropriate levels of authority to data stewards and proactively defining the scope and limitations of that authority is a prerequisite to successful data management.

The district has not developed a formalized data stewardship plan documenting policies and procedures to protect student data. Adopting and enforcing clear policies and procedures in a written data stewardship plan is necessary to ensure everyone in the organization understands the importance of data quality and security, and staff are motivated and empowered to implement data governance.

The district does not maintain an inventory of data files. Conducting an inventory of all data that require protection is a critical step for data security projects. Maintaining an up-to-date inventory of all sensitive records and data systems, including those used to store and process data, enables the organization to target its data security and management efforts.



Orchard Farm R-V School District Student Data Governance Management Advisory Report - State Auditor's Findings

The district has not formally identified the source and content of elements within the data files maintained by the district. Closely managing data content, including identifying the purposes for which data are collected, is necessary to justify the collection of sensitive data, optimize data management processes, and ensure compliance with federal, state, and local regulations.

The district has not adopted a formal policy regarding the archival or destruction of data at the end of its lifecycle. While some data may need to be maintained indefinitely according to various laws and regulations, other data may become unnecessary or irrelevant when a student graduates or otherwise leaves the district, and can be destroyed when no longer needed. Planning for data archival or destruction is an integral part of a high quality data governance program, according to the U.S. Department of Education, PTAC. Data destruction is the process of removing information in a way that renders it unreadable (for paper records) or irretrievable (for digital records). Establishing policies and procedures governing the archival or destruction of data allows an organization to more efficiently and safely protect its data and is a critical component of an effective data governance program.

Without a formal data governance program, the district cannot ensure that personally identifiable information (PII) maintained by the district is adequately protected and safe from unauthorized access, misuse, or inadvertent disclosure.

Recommendation

The district should continue to establish and implement a formal data governance program encompassing the full life cycle of data, from acquisition to use to disposal.

Auditee's Response

The district concurs with the recommendation and will develop and implement a formal data governance program encompassing the full life cycle of data by March 2017.

2. Review of User Access

The district does not perform periodic reviews of users' access to data to ensure access remains appropriate and aligned with job duties.

As users' work assignments and job responsibilities change, access rights to systems may be added, changed, or removed. Over time, users can accumulate access rights that are no longer necessary, increasing the risk of inappropriate access to data.

Without periodically reviewing user access rights, there is an increased risk that unauthorized alterations of the rights will go undetected or that access rights may not be aligned with current job duties.



Orchard Farm R-V School District Student Data Governance Management Advisory Report - State Auditor's Findings

Recommendation

The district should periodically review user access to data and other information resources to ensure access rights remain appropriate and are commensurate with job duties and responsibilities.

Auditee's Response

The district concurs with the recommendation and will further revise the district's procedures to ensure access rights remain appropriate and are commensurate with job duties and responsibilities by March 2017.

3. Security Controls

The district has not implemented or documented policies and procedures for certain security controls, leaving district technology assets, including PII, at risk of inappropriate access, use, and disclosure.

Logical security is the use of computer hardware and software to prevent or detect unauthorized access to systems, including the data therein. Logical security most often takes the form of user accounts and passwords, but also includes location and network based controls and security hardware, such as firewalls.

3.1 Security logs

The district has not documented policies and procedures to identify the types of security events to be logged and monitored. As a result, there is less assurance that detected and logged security incidents are properly investigated and resolved.

The internal security policies within the district's network management system log thousands of entries each day. A majority of these entries, such as notification of successful login by system users, are of minimal use for security purposes. According to district staff, the network management system default logging settings are used. Because the district has not customized these settings regarding which events are logged, the security logs are voluminous and cannot effectively be monitored for unusual or suspicious activity.

The district should establish relevant criteria and identify significant system events that should be logged. At a minimum, all such significant events, including access to and modification of sensitive or critical system resources, should be logged. Also, logging should include appropriate information to facilitate monitoring of such significant system events.

Without an effective method to identify, log, and monitor significant security-relevant events, the district is at increased risk that unauthorized or inappropriate system activity may not be detected.

3.2 Documentation of security controls

The district has not documented policies and procedures for certain security controls.



Orchard Farm R-V School District Student Data Governance Management Advisory Report - State Auditor's Findings

According to the GAO standards for internal control, control activities are an integral part of an organization's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives and helps ensure that actions are taken to reasonably address risks. The following control activities, including policies and procedures, have not been fully documented:

- Resetting lost or compromised passwords.
- Documentation of procedures for establishing user access to data and other resources for certain systems.
- Policies regarding which security groups users may be assigned to, along with the access rights granted each group for certain systems.
- Policies describing who may be granted privileged access to district systems.

According to accepted standards, documentation of all aspects of computer support and operations is important to ensure continuity and consistency. Formalizing operational practices and procedures with sufficient detail helps to eliminate security lapses and oversights, gives new personnel sufficiently detailed instructions, and provides a quality assurance function to help ensure that operations will be performed correctly and efficiently.

Without documented and approved policies and procedures, management may not have assurance that control activities are appropriate and properly applied.

Recommendations

The district:

- 3.1 Establish and document criteria for identifying which security events should be written to audit logs, monitored and investigated as security incidents.
- 3.2 Fully document and regularly review security policies and procedures.

Auditee's Response

- 3.1 *The district concurs and will review and revise documentation for identifying which security events should be written to audit logs and monitored and investigated as security incidents by March 2017.*
- 3.2 *The district concurs with the recommendation and will fully document and review security policies and procedures by March 2017.*



Orchard Farm R-V School District Student Data Governance
Management Advisory Report - State Auditor's Findings

4. Continuity Planning

The district has not completed or formally tested its continuity plan.

Elements of a continuity plan the district has not documented include:

- Priorities and procedures for the restoration of critical systems and data.
- Identification of persons responsible for restoration of specific systems and data.

According to accepted standards, a continuity plan or suite of related plans should be developed for restoring critical business functions and applications. The plans should include arrangements for alternative processing facilities in case the usual facilities are significantly damaged or cannot be accessed.

Additionally, testing continuity plans is essential to determining whether the plans will function as intended in an emergency situation. The most useful scenarios involve simulating a disaster situation to test overall service continuity. Such an event would include testing whether the alternative data processing site will function as intended and whether critical computer data and programs recovered from off-site storage are accessible and current. Moreover, tests will assess how well employees have been trained to carry out their roles and responsibilities in a disaster situation. Any testing of continuity plans is likely to identify weaknesses in the plan, and it is important that the plan and related supporting activities, such as training, be revised to address these weaknesses. Otherwise, the benefits of the testing will be mostly lost.

District personnel created a continuity plan in 2013; held discussions to add key contacts and vendors to the plan; and updated the plan in July 2016, indicating the district has made progress. However, the plan needs to be completed and formally tested. Without a tested and functional continuity plan, management has limited assurance the organization's business functions and computer processing can be sustained during or promptly resumed after a disruptive incident.

Recommendation

The district should continue developing a comprehensive continuity plan and formally assign responsibilities for implementation and maintenance of the plan to appropriate personnel. Once established, ensure the plan is tested on a periodic basis.

Auditee's Response

The district concurs and will continue developing a comprehensive continuity plan. The district will also formally assign the responsibilities for implementation and maintenance to the appropriate personnel. The district will also establish a routine for testing the continuity plan by March 2017.



5. Vendor Controls

The district has not fully established vendor monitoring controls. Additionally, the district's contract for a key system does not fully define security and privacy expectations over district data.

5.1 Vendor monitoring

The district has not established a process for ensuring software acquired or outsourced from information technology vendors complies with data security principles.

The district utilizes software products from a number of vendors to manage financial information, human resources data, student data, and other information. Generally, the district pays an annual licensing/maintenance fee for these products. Depending on the arrangement, some products are installed on district-owned equipment and maintained by district personnel (with additional support from the vendor), while others are hosted and maintained directly by the vendor. In this case, district personnel access the system remotely, typically via a secure website.

We reviewed contracts for several systems or software products used by the district. Although the specific language varied, each contract had a clause stating the vendor would provide appropriate security functionality for the district. However, district staff indicated they had not asked any vendors to provide documentation that their product's security functionality met generally accepted industry standards.

Accepted standards require organizations to periodically review the overall performance of vendors, compliance to contract requirements, and value for money, and address identified issues. Without an effective process for monitoring and managing risk of software acquisition or outsourcing, the district has less assurance in a vendor's ability to deliver services effectively, securely, and reliably and to ensure that services meet current and future data privacy and security needs.

5.2 Vendor contract

The district's contract for a key system does not fully define expectations over securing and accessing district data. Data maintained by the system is hosted locally by the district. However, data is also routinely backed up to the vendor site.

Accepted standards require organizations to manage, maintain and monitor contracts and service delivery. The U.S. Department of Education, PTAC provides best practices for organizations entering into written agreements. These best practices include stating ownership of PII; agreeing on limitations on use of PII, including restrictions on marketing, advertising and data mining purposes; and maintaining data in a secure manner by applying appropriate technical, physical, and administrative safeguards to properly protect PII. These also include setting terms for data destruction,



Orchard Farm R-V School District Student Data Governance Management Advisory Report - State Auditor's Findings

identifying penalties for inappropriate disclosure; and defining terms for conflict resolution.

Without fully defining expectations over district data, the district cannot ensure the security and privacy of its data, and may be unable to rely on enforceable contractual provisions in the event of a vendor dispute or noncompliance.

Recommendations

The district:

- 5.1 Develop procedures to formally monitor information technology vendors to ensure the district's data is properly protected and the vendor acts in accordance with contract terms.
- 5.2 Improve the existing contract with the vendor defining expectations over securing and accessing district data.

Auditee's Response

- 5.1 *The district will develop a formal plan to monitor vendor contractual agreements by March 2017.*
- 5.2 *The district will develop a formal rubric for contracts with outside vendors that have access to district data and will work with vendors using this rubric to improve existing contracts to improve expectations over securing and accessing district data by March 2017.*

Orchard Farm R-V School District Student Data Governance Organization and Statistical Information

The Orchard Farm R-V School District is located in St. Charles County.

The district operates a high school (grades 9-12), a middle school (grades 6-8), two elementary schools (grades 1-5), and one preschool. An early learning center opened in August 2016. Enrollment (preK-12) was 1,850 for the 2015-2016 school year. The district employed 380 full- and part-time employees at June 1, 2016.

School Board and Key Personnel

An elected school board serves as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at June 1, 2016 were:

Nancy Goeke, President
Darren Grunwaldt, Vice President
Nathan Dunkmann, Treasurer
Casey Otto, Secretary
Kenneth Biermann, Member
Steven Stopke, Member
Sara Vacek, Member

Dr. Tom Muzzey serves as District Superintendent. Dr. Wade Steinhoff is the Assistant Superintendent, and Bill Niemeyer is the Chief Technology Officer.



Office of Missouri State Auditor
Nicole Galloway, CPA

Putnam County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Putnam County

Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not perform documented supervisory reviews of accounting and bank records. The office also does not maintain records to account for all items sold to inmates, and periodic physical inventory counts are not performed. Additionally, controls and procedures over receipting, depositing, and disbursing fees, bonds, and inmate monies need improvement.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties and does not perform documented supervisory reviews of some accounting and bank records. The Prosecuting Attorney also does not ensure restitution and fees are timely disbursed to applicable parties, and certain records and property are not properly secured and safeguarded.
County Assessor's Controls and Procedures	The County Assessor has not adequately segregated accounting duties and does not perform documented supervisory reviews of some accounting and bank records. The County Assessor also has not established proper controls or procedures for receipting and depositing monies.
Electronic Data Security	Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.
County Procedures	The county has not entered into written agreements for payments made to the Prosecuting Attorney or the 911 Board and has not documented adequate justification for the amounts paid to the Prosecuting Attorney or the 911 Board. Additionally, a listing of county assets has not been updated since 2012, and the county does not have adequate procedures in place to identify capital asset purchases and dispositions throughout the year.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Putnam County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Putnam County

We have audited certain operations of Putnam County in fulfillment of our duties under Section 29.230, RSMo. In addition, Lisa C. Wright, LLC, Certified Public Accountant, has been engaged to audit the financial statements of Putnam County for the year ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

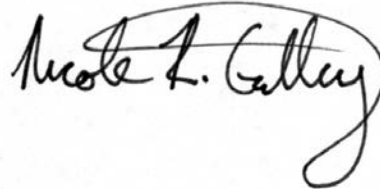
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Putnam County.

Additional audit work of the Putnam County Memorial Hospital is still in process, and any findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written between the first and last names.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Robyn Vogt, M.Acct., CPA
In-Charge Auditor:	Gayle Garrison
Audit Staff:	Binju Gaire
	Seth Rogers, MPA
	Misty Jaegers

Putnam County Management Advisory Report State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected monies for civil fees, concealed carry weapon (CCW) permits, bonds, board bills, inmate funds, and other miscellaneous receipts totaling approximately \$31,000 for the year ended December 31, 2015.

1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform documented supervisory reviews of accounting and bank records. The Secretary is responsible for receipting, recording, and depositing monies; making disbursements; and preparing the monthly bank reconciliation. In addition, the Secretary is responsible for recording inmate monies, reconciling records to inmate monies on hand, and maintaining the inventory of items sold to inmates.

The Sheriff's reviews of accounting and bank records are not adequately documented and do not compare the reconciled bank balance to the book balance. In addition, no independent or supervisory reviews are performed of inmate monies on hand, the inmate fund ledgers, or the purchase and sale of inventory items.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, disbursing, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records, inmate monies, and inventory records are essential.

1.2 Inventory records and procedures

The Sheriff's office does not maintain records to account for electronic cigarettes or phone cards purchased and sold to inmates, and inventory remaining on hand. In addition, periodic physical inventory counts are not performed.

Loss, theft, or misuse of the inventory and related monies may go undetected without adequate inventory records and procedures. Detailed inventory records are necessary to adequately account for electronic cigarettes and phone cards. Comparisons of purchases and sales of electronic cigarettes and phone cards to inventory records are necessary to ensure these items and associated monies are properly recorded and handled.

1.3 Receipting, depositing and disbursing

The Sheriff's office controls and procedures over receipting, depositing, and disbursing fees, bonds, and inmate monies need improvement. We noted the following concerns:

Fees and bonds

Checks received are not restrictively endorsed at the time of receipt and are endorsed only when deposits are prepared. In addition, deposits are not



Putnam County
Management Advisory Report - State Auditor's Findings

always made timely and include significant amounts of cash. Also, disbursements are not always made by check. For example, instead of depositing a cash bond and disbursing a refund by check, the Sheriff refunded a bond in cash, and no documentation such as a signature or other verifying information was obtained from the individual receiving the refund.

Inmate monies

Receipt slips are not issued for some inmate monies received. As a result, records of monies receipted for inmates cannot be reconciled to the amounts recorded to an inmate's fund ledger.

In addition, inmate monies are not deposited, but are held in cash in a safe until purchases are made by the inmate. All inmate monies are commingled and are not segregated from other receipts collected by the Sheriff's office. No documentation or signature is obtained from the inmate to support purchases of electronic cigarettes or phone cards, or when funds are returned to the inmate upon release.

Also, no reconciliations are performed of the inmate fund ledgers to inmate monies on hand, and deposits of inventory sales are not reconciled to purchases documented on inmate fund ledgers.

Conclusion

Proper receipting, depositing, and disbursing procedures are necessary to ensure receipts are adequately safeguarded and to reduce the risk of loss, theft, or misuse of monies going undetected.

Similar conditions
previously reported

Similar conditions to sections 1.1 and 1.3 were noted in our prior 2 audit reports.

Recommendations

The Sheriff:

- 1.1 Segregate accounting duties or ensure independent or supervisory reviews of accounting and bank records, inmate funds, and inventory records are performed and documented.
- 1.2 Maintain inventory records of electronic cigarettes and phone cards and reconcile these records to inventory items purchased and sold, and perform periodic physical inventory counts.
- 1.3 Issue prenumbered receipt slips for all monies received, endorse checks immediately upon receipt, deposit all monies intact and timely, and disburse all monies by check. In addition, reconcile inmate fund ledgers to inventory sales and inmate monies on hand.

Auditee's Response

- 1.1. *Due to current funding and staff limitations, segregation of accounting duties and independent reviews are unable to be performed at this time. Supervisory reviews of accounting and bank records, inmate funds, and inventory records will be performed and*



Putnam County
Management Advisory Report - State Auditor's Findings

will be better documented by the Sheriff with initials or signatures with dates of review.

- 1.2. *We currently have implemented an inventory electronic cigarette log, which includes serial numbers and dates, and Sheriff's office personnel are required to verify and sign the log. The phone card tracking for inventory purposes is currently being reviewed with the intent that a similar procedure will be in place.*

We have revised a running commissary ledger for each inmate who wishes to place funds into a commissary account. This ledger has a place for initial deposited amount to be listed and a place for the person to verify the amount. The ledger also has a place for deposits, and purchases, which requires both the inmate and Sheriff's office personnel to initial for each transaction. Also included in the ledger is a place for refund amount given at the time of inmate departure and the inmate and Sheriff's office personnel are required to verify, sign, and date the ledger.

Physical inventory counts will be conducted periodically by the Sheriff or Sheriff's designee and reconciled to inmate ledgers on a test basis.

- 1.3. *Prenumbered receipts will be issued for all monies received.*

All checks will be immediately endorsed and will be deposited in a timely manner.

All checks and monies received are categorized and secured in a safe located in the Sheriff's office and are held there until a deposit is made, or until monies are spent or returned to the inmate.

At this time, it would not be financially responsible for the Sheriff's office to employ a bookkeeping position to be on hand to disburse inmate refunds by check 24 hours a day. However, we will review other possibilities for a solution. Currently, we are utilizing new documentation for cash refunds which requires the amount, date, and signatures of inmate and Sheriff's office personnel.

As previously noted, we will reconcile inmate fund ledgers to inventory sales and inmate monies on hand.

2. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$21,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.



Putnam County
Management Advisory Report - State Auditor's Findings

2.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties and does not perform documented supervisory reviews of some accounting and bank records. The Legal Assistant is responsible for receipting, recording, and depositing monies; making disbursements; and preparing the monthly bank reconciliation.

The Prosecuting Attorney's reviews of accounting and bank records do not ensure all monies received have been properly recorded, deposited, and disbursed to the appropriate party. In addition, periodic reviews of selected case files are not documented.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, disbursing, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential.

2.2 Disbursements

The Prosecuting Attorney does not ensure restitution and fees are timely disbursed to applicable parties by the Legal Assistant.

Monthly disbursements

During 2015, no disbursements occurred during the months of January, May, July, September, and December, and the office held significant amounts of receipts between disbursement dates. For example, following disbursements totaling \$3,730 on June 18, 2015, the next disbursements totaling \$4,360, occurred on August 10, 2015.

Liabilities

Restitution for some older cases has not been appropriately disbursed. For example, the May 31, 2016, list of liabilities included 6 cases with balances totaling approximately \$2,950 that had been held since at least June 2013, with some of the monies being held since May 2003. The Legal Assistant indicated disbursements had not occurred due to difficulty locating or communicating with the victims.

To reduce the risk of loss, theft, or misuse of funds, restitution and fees should be disbursed timely. In addition, follow up on older case balances is necessary to ensure monies are appropriately disbursed to the victims or as otherwise provided by state law.

2.3 County records and property

The Prosecuting Attorney has not ensured county records and property are properly secured and safeguarded.

Case files, the Prosecuting Attorney's signature stamp, blank checks, and other records are accessible to non-county employees that work in the Prosecuting Attorney's private practice. The signature stamp and blank checks are maintained in unlocked cabinets.



Putnam County
Management Advisory Report - State Auditor's Findings

To safeguard against possible loss, theft, or misuse of funds and to ensure disbursements are proper, the Prosecuting Attorney should establish controls over the use of and access to the signature stamp and blank checks. Without adequate safeguards over county records and other property, there is risk of inappropriate access.

Similar conditions
previously reported

Similar conditions to sections 2.1 and 2.2 were noted in our prior 2 audit reports, and a similar condition to section 2.3 was noted in our prior audit report.

Recommendations

The Prosecuting Attorney:

- 2.1 Segregate accounting duties or ensure independent or supervisory reviews of accounting and bank records are performed and documented.
- 2.2 Ensure timely disbursement of restitution and fees and establish procedures to routinely review older case balances. If victims cannot be located, the monies should be disbursed in accordance with state law.
- 2.3 Ensure county records and property are properly secured and safeguarded.

Auditee's Response

- 2.1. *With only one staff member, it is not possible to segregate duties. The Prosecuting Attorney will perform a documented review of all reports by the 10th of the following month. If the budget allows, we will arrange for independent reviews of accounting and bank records.*
- 2.2. *Disbursements will be made monthly. If victims cannot be located within a reasonable time and after diligent efforts have been made to locate victims, the money will be turned over to the Missouri State Treasurer as unclaimed.*
- 2.3. *Any signature stamps and blank checks will be kept in a locked drawer.*

3. County Assessor's Controls and Procedures

Controls and procedures in the County Assessor's office need improvement. The office collected approximately \$7,500 for maps, plat books, data requests of property records, on-line data access, and other miscellaneous fees during the year ended December 31, 2015.

3.1 Segregation of duties

The County Assessor has not adequately segregated accounting duties and does not perform documented supervisory reviews of some accounting and bank records. The Deputy Assessor is responsible for receipting, recording,



Putnam County
Management Advisory Report - State Auditor's Findings

and depositing monies; making disbursements; and preparing the monthly bank reconciliation.

The County Assessor indicated she reviews the monthly bank reconciliations, but she does not have procedures to ensure all receipts recorded in the accounting system have been properly deposited and disbursed.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, disbursing, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential and should include comparing daily receipt activity to deposits and to monthly disbursements to the County Treasurer.

3.2 Receipting and depositing

The County Assessor has not established proper controls or procedures for receipting and depositing monies. We identified the following concerns:

- Monies are not always receipted at the time they are received. The Deputy Assessor records monies received in the accounting software; however, if she is absent, monies received are placed in her desk drawer to be recorded when she returns.
- Payment receipts generated by the accounting software are not assigned a numerical sequence and a system report of receipts by date cannot be generated. As a result, it is difficult to ensure all monies received are deposited.
- Checks are not restrictively endorsed immediately upon receipt. Endorsements are applied at the time deposits are prepared.
- Receipts are not always deposited intact. For example, 4 checks totaling \$1,200 received between June 12 and June 22, 2015, were deposited on June 22, 2015, while cash totaling \$85 received between June 1 and June 17, 2015, was not deposited until June 30, 2015.

To reduce the risk of loss, theft, or misuse of monies received going undetected, procedures should be established to ensure all monies received are properly receipted and deposited intact.



Putnam County
Management Advisory Report - State Auditor's Findings

Recommendations

The County Assessor:

- 3.1 Segregate accounting duties or ensure independent or supervisory reviews of accounting and bank records are performed and documented.
- 3.2 Ensure all monies received are recorded on prenumbered receipt slips and the numerical sequence of receipt slips is accounted for properly. In addition, ensure checks are endorsed immediately upon receipt and receipts are deposited intact.

Auditee's Response

- 3.1 *I will implement a review that includes comparing daily receipt activity to monthly deposits that are prepared by the Deputy Assessor.*
- 3.2 *Everyone in the office now has independent password accounts to record payments within the accounting software when the Deputy Assessor is out of the office.*

A revision was implemented to enter checks that were received through the mail at the date the check was received rather than the date the check was made out. This should enable a report that shows a numerical sequence in order. We will account for numerical sequence when preparing deposits.

Checks are now immediately endorsed upon receipt and receipts are deposited intact.

4. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

The County Clerk, Collector-Treasurer, Recorder of Deeds, Prosecuting Attorney, Sheriff, Public Administrator, and Assessor have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed by employees in these offices, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be



Putnam County
Management Advisory Report - State Auditor's Findings

confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

Recommendation

The County Commission work with other county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.

Auditee's Response

We will work with a local information technology vendor and county officials to ensure passwords are changed periodically.

5. County Procedures

Procedures for written agreements and capital assets need improvement.

5.1 Written agreements

The county has not entered into written agreements for payments made to the Prosecuting Attorney or the 911 Board. In addition, the county has not documented adequate justification for the amounts paid to the Prosecuting Attorney or the 911 Board.

The Prosecuting Attorney performs official duties of the county from his private practice law office. The county reimburses the Prosecuting Attorney for a portion of telephone and utility costs associated with county-related activities. In 2015, the county paid the Prosecuting Attorney \$4,380 for utilities and telephone costs. For 2016, the county budgeted a \$1,000 increase for a total of \$5,380 in reimbursements. However, there is no written agreement documenting the rights and responsibilities of the parties, including the portion of expenses to be paid by the county. The county has not worked with the Prosecuting Attorney to estimate the total cost of conducting county business in the private law office. In addition, the county does not receive adequate documentation supporting the costs paid to the Prosecuting Attorney.

The 911 Board conducts dispatching operations from the county courthouse. The county pays \$24,000 per year to the 911 Board for expenses related to dispatching services provided to the Sheriff's office; however, the county has not worked with the 911 Board to calculate or estimate the total cost of the services provided by the 911 Board or to ensure the rate charged is reasonable. The most recent dispatching contract between the Sheriff and the 911 Board covered one year beginning October 1, 2012. That contract indicates it will renew automatically each year unless otherwise indicated in writing; however, the contract is not reviewed annually to ensure the contract terms are still reasonable.

Section 432.070, RSMo, requires government contracts to be in writing. To ensure county resources are used only for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining expenses that will be provided by the county. In addition, the basis for the agreement should be adequately documented. The agreement should



Putnam County
Management Advisory Report - State Auditor's Findings

be updated when circumstances change. To ensure the amount paid is reasonable and represents the true costs of the services, the county should work with the 911 Board to establish criteria for calculating or estimating the dispatching costs and include such criteria in the contract terms.

5.2 Capital assets

Procedures and records to account for county property are not adequate. The listing of assets maintained has not been updated since 2012, when county personnel performed the last physical inventory. In addition, the county does not have adequate procedures in place to identify capital asset purchases and dispositions throughout the year. As a result, the county's capital asset records are not complete and up to date.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to physical inventory results would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Section 49.093, RSMo, provides that the officer or designee of each county department is responsible for performing annual inspections and inventories of county property used by that department and for submitting an inventory report to the County Clerk.

Similar conditions previously reported Recommendations

A similar condition to section 5.1 was noted in our prior 2 audit reports, and a similar condition to section 5.2 was noted in our prior audit report.

The County Commission:

- 5.1 Enter into written agreements with the Prosecuting Attorney and the 911 Board documenting contractual obligations of each party. In addition, the County Commission should ensure amounts paid for the services are reasonable, and supporting documentation is submitted and reviewed prior to payment.
- 5.2 And the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and implement procedures for tracking capital asset purchases and dispositions throughout the year.

Auditee's Response

- 5.1. *We will work with the Prosecuting Attorney and 911 Board to develop current contracts and we will perform a yearly cost analysis at the time of budget development to ensure amounts paid are reasonable and adequately supported.*



Putnam County
Management Advisory Report - State Auditor's Findings

- 5.2. *We will work with the County Clerk and other county officials to ensure capital assets are inventoried annually and purchases and dispositions are accounted for.*

Putnam County

Organization and Statistical Information

Putnam County is a township-organized, third-class county. The county seat is Unionville.

Putnam County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 21 full-time employees (including elected officials) and 9 part-time employees on December 31, 2015. The townships maintain county roads.

In addition, county operations include the Senior Citizens' Services Board, the Putnam County Memorial Hospital, and a 911 Board. The Putnam County Memorial Hospital is audited separately, with the last audit report issued for the year ended June 30, 2014.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Randy Sands, Presiding Commissioner	\$	24,400
Shane Bradshaw, Associate Commissioner		22,440
Gerald Owings, Associate Commissioner		22,440
Jeneen Roof, Recorder of Deeds		34,000
Chrystal Perkins, County Clerk		34,000
Tom Keedy, Prosecuting Attorney		41,000
Jason Knight, Sheriff		39,000
Anna Watt, County Coroner		9,500
Peggy Wood, Public Administrator		15,000
Sharon Thompson Parks, County Collector-Treasurer, year ended March 31,	34,000	
Chrissy Gillis, County Assessor, year ended August 31,		34,000



Office of Missouri State Auditor
Nicole Galloway, CPA

Department of Revenue
De Soto Contract License Office



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the De Soto Contract License Office

Background	The Department of Revenue (DOR) has appointed 177 contract agents to operate contract license offices across the state. These offices process transactions to issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law, which became effective in 2009, the state auditor may audit contract license offices.
Prepayment Void Transactions	Prepayment void transactions occur when transactions are voided before payment is made, such as when the customer lacks sufficient funds or the entry has incorrect information. DOR procedures require a supervisory review of voided transactions and customer acknowledgement if a new transaction is not completed or is for a lesser amount. License office management personnel did not perform independent supervisory reviews for 8 of 11 (73 percent) prepayment void transactions that occurred from March 9 to March 11, 2016, and license office personnel did not obtain customer acknowledgment for 1 of 5 applicable transactions.
Accounting Controls and Procedures	The license office does not issue manual receipt slips for driving record purchases unless requested by the customer. The license office should issue manual receipt slips for all these transactions because they are processed outside of the computerized system.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Department of Revenue

De Soto Contract License Office

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and

John Mollenkamp, Acting Director
Department of Revenue
Jefferson City, Missouri

and
Belle Hart Schmidt, LLC, Contract Agent
De Soto Contract License Office
De Soto, Missouri

We have audited certain operations maintained and established by the De Soto Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2016. The objectives of our audit were to:

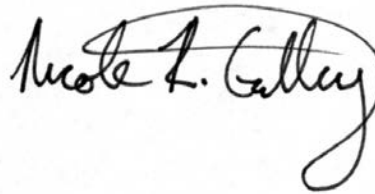
1. Evaluate the office's internal controls related to handling of various fees and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) deficiencies in internal controls, and (2) no significant noncompliance with contractual or statutory provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the De Soto Contract License Office.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Joshua Shope, M.Acct., CPA
Audit Staff:	Hunter O'Donnell, M.Acct
	Valerie A. Dobson

Department of Revenue

De Soto Contract License Office

Management Advisory Report - State Auditor's Findings

1. Prepayment Void Transactions

License office management personnel did not perform independent supervisory reviews for 8 of 11 (73 percent) prepayment void transactions that occurred from March 9 to March 11, 2016. In each instance a supervisor reviewed and approved her own transaction. In addition, license office personnel did not obtain customer acknowledgment for 1 of 5 applicable transactions.

A prepayment void transaction occurs when a transaction is entered in the Titling and Registration Intranet Processing System (TRIPS) but is voided before payment is made. Valid reasons for prepayment void transactions include when customers lack sufficient funds to pay for the transaction, and entries with incorrect information.

Department of Revenue (DOR) official procedures require an independent supervisory review of voided transactions, and customer acknowledgment of a void transaction if a new one is not completed or is for a lesser amount. In addition, independent supervisory review and customer acknowledgement help ensure the transaction was voided for a valid reason.

Recommendation

The license office ensure all prepayment void transactions are reviewed and approved by a supervisor independent of the original transaction, and supported by customer acknowledgement, when applicable.

Auditee's Response

The policy described was changed and communicated on February 5, 2016, in the weekly License Office News from the DOR. I had received these weeklies since 2012 and did not realize that they stopped coming into my email after January 29, 2016. I have since printed and reviewed these notices on a weekly basis. I did not, however, know of this policy change. The notice was received on the office's email account for that day, was reviewed but was not followed. We have since the Auditor's Office visit complied with this change. Regarding the transaction that was voided without the customers signature, this was clearly an oversight and the counter clerks have been made aware of the Auditor's Office finding and we have been compliant from that point.

Auditor's Comment

The DOR policy has always required a supervisory review of prepayment void transactions. These supervisory reviews need to be independent to ensure the prepayment void transactions are handled properly. The DOR updated the policy in February 2016 to clarify this issue.

2. Accounting Controls and Procedures

The license office does not issue manual receipt slips for driving record purchases unless requested by the customer. Driving records can be purchased for various reasons, such as an employer verifying an individual's driving record for business purposes. The license office must issue manual receipt slips for these transactions because they are processed outside of the



Department of Revenue
De Soto Contract License Office
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computerized system. Office personnel stated they were not aware they needed to issue manual receipt slips for all driving record purchases.

DOR official procedures require a receipt slip be issued for all sales of driving records. By not always issuing these receipt slips, the office cannot demonstrate the related monies were accounted for properly.

Recommendation

The license office ensure receipt slips are issued and retained for all driving record sales.

Auditee's Response

We were viewing the driving record in the same way we handled driver licenses when we're using the CAPTURE program. The driver license itself was the customer's receipt; we would also issue a paper receipt at the customer's request. I've verified that we were in error not filling out Form 4696 (manual receipt slip) on each transaction and since the Auditor's Office visit have been providing and retaining Form 4696 when we collect the money for these transactions.

We do take issue with the finding that "the office cannot demonstrate the related monies were accounted for properly." After speaking with the Auditor's Office, they came to this finding because the driving record receipts were not a part of MEDL and thus there was no way of keeping track of the fees collected without a receipt. This is incorrect, all driver license records are requested on the DMDI system, sent from the state database in Jefferson City's printer session (not printed locally) and charged to the MEDL system showing up on the Driver License Accounting Report under category "Highway Fund 1" listed as MTAS Code 0952, driving record receipts. These charges cannot be reversed. To void a record printed in error we must manually adjust the accounting report, state the reason for removing the charge, void the driving record being removed from the accounting report and send this copy with that days shipment to Central Office in Jefferson City. As to the breakdown of the driving record receipts, regardless of it being cash, check or credit/debit card, the checks are in the office when the accounting is taking place, there is a list of customers on the CSI accounting report showing the time and date the credit card transaction occurred and the cash is reconciled from the sum of the checks and cash. Furthermore the automated QLESS system has the customer register when they come into the office so we know who was there during the day to order a driving record and can determine who paid cash from the checks in the office and credit cards processed on the day in question. We will respectfully disagree with the specific finding that the driving record receipts were not accounted for properly.

Auditor's Comment

The computerized system only tracks the number of driving record purchases made each day. It does not list which cashier processed each driving record purchase or document an initial record of receipt, including



Department of Revenue
De Soto Contract License Office
Management Advisory Report - State Auditor's Findings

the method of payment. Without such information, the license office cannot ensure monies collected are accounted for properly. In addition, reviewing discrepancies noted during the daily reconciliation process could be difficult without this information.

Department of Revenue

De Soto Contract License Office

Organization and Statistical Information

Pursuant to Section 136.030(2), RSMo, the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 177 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities (excluding action organizations) that are exempt from taxation (not-for-profit) under the Internal Revenue Code, with special consideration given to organizations and entities that reinvest a minimum of 75 percent of the net proceeds to charitable organizations in Missouri. Priority must also be given to political subdivisions such as municipalities, counties, and fire protection districts. Prior to August 2013, contracts typically ran for a year, with three 1-year renewal periods. Starting in August 2013, contracts are typically for a period of 3½ to 5½ years. The contract may be canceled at the discretion of the DOR.

The contract license offices process transactions to issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates that are classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices process transactions to issue five basic types of driver licenses: Intermediate License (GDL); Class F (Operator); Class E (For-Hire); Class A, B, and C (Commercial); and Class M (Motorcycle). Customers may also register with Selective Service, add endorsements or restrictions to licenses, and register to vote.

The contract agents do not receive compensation from the DOR, but receive the following fees, allowed by Sections 136.055.1 and 301.140.4, RSMo, from customers for each type of transaction processed by the office.

Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two year
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50
Temporary permit	\$5.00
Other miscellaneous fees	\$2.00



Department of Revenue
De Soto Contract License Office
Organization and Statistical Information

In October 2014, the DOR solicited bids for the De Soto Contract License Office. The office was awarded to Belle Hart Schmidt, LLC, effective December 30, 2014.

For the year ended June 30, 2016, the office collected and remitted to the DOR \$7,242,297, and retained processing fees totaling \$161,792. Additionally, as part of the bidding process, the office agreed to return 2 percent of its processing fees to the state. For the year ended June 30, 2016, the office returned to the state processing fees totaling \$3,251.

Pursuant to Sections 301.020, 302.171, and 301.3033, RSMo, the licensing process allows customers to contribute to the organ donor program, blindness awareness program, and/or the World War I Memorial Trust Fund. For the year ended June 30, 2016, the office collected and remitted to the DOR \$531, \$182, and \$149 in donations for the organ donor program, blindness awareness program, and the World War I Memorial Trust Fund, respectively.

Personnel

At June 30, 2016, key office personnel were as follows:

Paul Schmidt Sr., Contract Manager
Shelley Robinson, Office Manager



Office of Missouri State Auditor
Nicole Galloway, CPA

Department of Revenue
Grandview Contract License Office



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Grandview Contract License Office

Background	The Department of Revenue (DOR) has appointed 177 contract agents to operate contract license offices across the state. These offices process transactions to issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law, which became effective in 2009, the state auditor may audit contract license offices.
Sales Tax Transactions	Contract license offices collect sales and use taxes based upon the purchase price of the vehicle being titled, less any applicable credits. DOR procedures require the offices to retain documentation to support the net purchase price and requires office staff to use a DOR approved source to determine the estimated fair market value if the documentation is not sufficient or the purchase price is questionably low. License office personnel did not retain sufficient documentation to support the purchase price for 2 of 60 transactions (3 percent) reviewed. Personnel also erroneously entered an incorrect purchase price into the computerized system for 1 of 60 (2 percent) transactions reviewed, resulting in a reduction in taxes collected.
Prepayment Void Transactions	Prepayment void transactions occur when transactions are voided before payment is made, such as when the customer lacks sufficient funds or the entry has incorrect information. DOR procedures require customer acknowledgement of a void transaction if a new one is not completed or is for a lesser amount. License office personnel did not obtain customer acknowledgment documentation for 2 of 6 applicable prepayment void transactions that occurred from March 16 to March 18, 2016.
Accounting Controls and Procedures	The license office did not always accurately record the method of payment (cash, check, or credit card) and did not reconcile the composition of monies received to deposits. The composition of receipts did not match the composition of deposits for 3 deposits reviewed, and the office did not record the method of payment on 2 manual receipt slips reviewed.
Contract Compliance	License office staff did not properly maintain the perpetual inventory records for 1 of 25 inventory items reviewed.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Department of Revenue

Grandview Contract License Office

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and

John Mollenkamp, Acting Director
Department of Revenue
Jefferson City, Missouri

and
City of Grandview, Contract Agent
Grandview Contract License Office
Grandview, Missouri

We have audited certain operations maintained and established by the Grandview Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2016. The objectives of our audit were to:

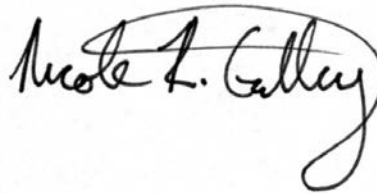
1. Evaluate the office's internal controls related to handling of various fees and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) deficiencies in internal controls, and (2) noncompliance with a contractual provision. The accompanying Management Advisory Report presents our findings arising from our audit of the Grandview Contract License Office.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Joshua Shope, M.Acct., CPA
Audit Staff:	Hunter O'Donnell, M.Acct Valerie A. Dobson

Department of Revenue

Grandview Contract License Office

Management Advisory Report - State Auditor's Findings

1. Sales Tax Transactions

The license office does not always retain adequate documentation to support purchase price amounts on vehicle sales tax transactions. In addition, the license office does not always ensure sales tax transactions are properly entered into the computerized system, resulting in incorrect sales tax collections.

Contract license offices collect sales and use taxes from taxpayers who are titling a vehicle. These taxes are based on the purchase price of the vehicle less any applicable credits, such as for selling or trading in another vehicle. Department of Revenue (DOR) official procedures require the retention of documentation to support the net purchase price for all sales and use tax transactions. If the documentation is not sufficient to support the purchase price or the purchase price is questionably low, DOR official procedures require license office staff to use a DOR approved source to determine the estimated fair market value. If the estimated fair market value is not similar to the price claimed by the taxpayer, a notarized bill of sale from the seller is required or the estimated fair market value must be used by license office staff to calculate sales tax due.

Purchase prices

License office personnel did not retain sufficient documentation to support the purchase price for 2 of 60 transactions (3 percent) reviewed. For these transactions, the purchase prices used were questionably low, but license office staff did not obtain a notarized bill of sale to support the purchase prices. We obtained the estimated fair market values from DOR personnel and determined the reported purchase prices for the transactions were \$5,541 lower than the estimated fair market values, resulting in an apparent \$450 reduction in taxes collected.

When we brought these transactions to the DOR's attention, the DOR sent additional tax due letters to the 2 taxpayers requiring the taxpayers to provide a notarized bill of sale to support the purchase price or pay additional taxes based on the fair market value of the vehicle. One taxpayer paid the full amount of additional taxes due in July 2016. As of August 2016, no action had been taken by the other taxpayer to pay the additional amount due or to provide a notarized bill of sale.

Data entry error

License office personnel erroneously entered an incorrect purchase price into the computerized system for 1 of 60 (2 percent) transactions reviewed. License office personnel entered a purchase price of \$1,000 instead of the \$1,500 listed on supporting documentation, thereby reducing the purchase price on which taxes were calculated. The transaction resulted in \$42 reduction in taxes collected.

When we brought this transaction to the DOR's attention, the DOR sent an additional tax due letter to the taxpayer. As of August 2016, no action had been taken by the taxpayer to pay the additional amount due.



Department of Revenue
Grandview Contract License Office
Management Advisory Report - State Auditor's Findings

Conclusion

To ensure the purchase price is accurate and the proper sales tax amounts are charged to customers, the license office should comply with DOR procedures requiring adequate documentation of purchase prices, and ensure sales tax transactions are properly entered into the computerized system.

Recommendations

The license office ensure compliance with DOR procedures requiring adequate documentation to support the purchase price for vehicle sales and use tax transactions, and verify accurate entry of sales tax transactions in the computerized system before processing taxes due.

We also recommend the DOR conduct a follow-up review of the license office to ensure the license office has implemented corrective action.

Auditee's Response

The license office provided the following response:

Item 1: The auditee acknowledges that a bill of sale had been submitted, however; the required explanation of unusually low sale was not included as according to policy MV V-09. Office management will accentuate the need for office staff to scrutinize in regards to this particular procedure.

Item 2: The Grandview Office acknowledges the error that resulted in a reduction of taxes due to a typographical error in entering the sale price of \$1,000 rather than \$1,500.

The DOR provided the following response:

In addition to our periodic audits of the license offices, the DOR is working on the development of training webinars and possibly reinstating regional trainings to assist offices, subject to appropriations. The DOR will also continue to publish articles in the License Office News to remind all offices to follow procedures related to vehicle purchase price.

2. Prepayment Void Transactions

License office personnel did not obtain customer acknowledgment documentation for 2 of 6 (33 percent) applicable prepayment void transactions that occurred from March 16 to March 18, 2016.

A prepayment void transaction occurs when a transaction is entered in the Titling and Registration Intranet Processing System (TRIPS) but is voided before payment is made. Valid reasons for prepayment void transactions include when customers lack sufficient funds to pay for the transaction, and entries with incorrect information.

DOR official procedures require customer acknowledgement of a void transaction if a new one is not completed or is for a lesser amount. In addition, obtaining customer acknowledgment helps ensure a transaction was voided for a valid reason.



Department of Revenue
Grandview Contract License Office
Management Advisory Report - State Auditor's Findings

Recommendation

The license office ensure prepayment void transactions are supported by customer acknowledgement of the void, when applicable.

Auditee's Response

Auditee acknowledges that the signatures were not obtained on both transactions. The first one for a lesser amount for the City of Grandview's vehicle being reduced for the agent fee. Secondly, the other one for an incompleteness of a temporary placard. Management and staff have reviewed and discussed the policy for prepayment voids.

3. Accounting Controls and Procedures

The license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2016, the office collected and remitted to the DOR approximately \$20.1 million in taxes and fees.

The license office did not always accurately record the method of payment (cash, check, or credit card) in the accounting records and did not reconcile the composition of monies received to deposits. We reviewed receipt transactions processed in the office from March 16 to March 18, 2016, and from May 13 to May 16, 2016. Our review determined the composition of deposits did not agree to the composition of receipts recorded for the May 16, May 17, and May 18, 2016, deposits. We identified check and credit card payments recorded as cash payments, and cash payments recorded as credit card payments. In addition, on March 17, 2016, the license office did not record the method of payment on a manual receipt slip issued for a driving record purchase or on a manual receipt slip issued for fees collected for the reinstatement of driving privileges. The license office issues manual receipt slips for these transactions because they are processed outside of the computerized system.

DOR official procedures for license offices indicate the composition of monies received should be reconciled to the accounting records and to deposits. Any differences identified as part of this work should be reviewed to ensure proper handling of monies received.

Recommendation

The license office ensure the correct method of payment is recorded in the accounting records and the composition of monies received is reconciled to the accounting records and to deposits, and differences identified from the reconciliation process are appropriately reviewed. In addition, the license office should ensure the method of payment is recorded on all manual receipt slips.

Auditee's Response

Auditee recognizes the importance of identifying the correct method of payment. Auditee accepts the auditor's recommendations and will improve controls to make sure method of payment is accurately recorded, reviewed, and reconciled.



Department of Revenue
Grandview Contract License Office
Management Advisory Report - State Auditor's Findings

4. Contract Compliance

The license office does not always accurately update perpetual inventory records, as required by the DOR agent contract. According to office management, the office tries to maintain a 30-day stock of inventory items such as license plates, tabs, decals, and permits.

License office staff did not properly maintain the inventory records for 1 of 25 inventory items reviewed. During our review on May 16, 2016, we found 1 item that was not listed in the inventory records. This item was in a shipment received by the office in April 2016.

The license office increases the risk of undetected theft and/or impropriety when inventory records are not updated accurately and timely. In addition, the DOR agent contract requires the license office to maintain up-to-date perpetual inventory records.

Recommendation

The license office maintain accurate perpetual inventory records, as required by the DOR agent contract.

Auditee's Response

Auditee knows the importance of keeping a daily perpetual inventory account. The June allotment was received the last week of April 2016. Friday, May 13th the allotment was verified against the invoice by license office personnel and put up on to the shelf for distribution. The allotment didn't get recorded into the inventory book until the next business day. The auditee will continue to maintain accurate perpetual inventory records, as required by the DOR.

Department of Revenue

Grandview Contract License Office

Organization and Statistical Information

Pursuant to Section 136.030(2), RSMo, the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 177 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities (excluding action organizations) that are exempt from taxation (not-for-profit) under the Internal Revenue Code, with special consideration given to organizations and entities that reinvest a minimum of 75 percent of the net proceeds to charitable organizations in Missouri. Priority must also be given to political subdivisions such as municipalities, counties, and fire protection districts. Prior to August 2013, contracts typically ran for a year, with three 1-year renewal periods. Starting in August 2013, contracts are typically for a period of 3½ to 5½ years. The contract may be canceled at the discretion of the DOR.

The contract license offices process transactions to issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates that are classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices process transactions to issue five basic types of driver licenses: Intermediate License (GDL); Class F (Operator); Class E (For-Hire); Class A, B, and C (Commercial); and Class M (Motorcycle). Customers may also register with Selective Service, add endorsements or restrictions to licenses, and register to vote.

The contract agents do not receive compensation from the DOR, but receive the following fees, allowed by Sections 136.055.1 and 301.140.4, RSMo, from customers for each type of transaction processed by the office.

Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two year
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50
Temporary permit	\$5.00
Other miscellaneous fees	\$2.00



Department of Revenue
Grandview Contract License Office
Organization and Statistical Information

In November 2013, the DOR solicited bids for the Grandview Contract License Office. The office was awarded to the City of Grandview, effective February 6, 2014.

For the year ended June 30, 2016, the office collected and remitted to the DOR \$20,088,109, and retained processing fees totaling \$385,020. Under the terms of the contract, the office was not required to return a percentage of its processing fees to the state.

Pursuant to Sections 301.020, 302.171, and 301.3033, RSMo, the licensing process allows customers to contribute to the organ donor program, blindness awareness program, and/or the World War I Memorial Trust Fund. For the year ended June 30, 2016, the office collected and remitted to the DOR \$1,770, \$1,687, and \$1,361 in donations for the organ donor program, blindness awareness program, and the World War I Memorial Trust Fund, respectively.

Personnel

At June 30, 2016, key office personnel were as follows:

Debbie Bowlin, Contract/Office Manager



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

**Twenty-Ninth Judicial Circuit
City of Joplin Municipal Division**

Twenty-Ninth Judicial Circuit

City of Joplin Municipal Division

Follow-Up Report on Audit Findings - Table of Contents

State Auditor's Letter

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*Includes selected findings



NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Twenty-Ninth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the City Council
Joplin, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2015-135, *Twenty-Ninth Judicial Circuit, City of Joplin Municipal Division* (rated as Poor), issued in December 2015, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the municipal division about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the municipal division, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by municipal division and city officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the officials included municipal division policies and procedures, administrative orders, ordinances, monthly reports, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed by August 2016.

Nicole R. Galloway, CPA
State Auditor

Twenty-Ninth Judicial Circuit

City of Joplin Municipal Division

Follow-Up Report on Audit Findings - Status of Findings

1. Accounting Controls and Procedures	Accounting controls and procedures needed significant improvement.
1.1 Adjustments	<p>Procedures for processing and monitoring of adjustments in the case management system needed improvement.</p> <p>No procedure for reviewing adjustments had been established and division personnel could not generate a report from the case management system differentiating adjustments made by court clerks from automatic adjustments generated by the system. In addition, the court clerks adjusted amounts differently in the case management system.</p>
Recommendation	The City of Joplin Municipal Division establish procedures for the consistent application of adjustments and ensure an independent review and approval of adjustments is performed and documented.
Status	<p>Implemented</p> <p>The municipal division implemented a policy in April 2016 outlining consistent procedures to apply adjusting entries to fines, court costs, or fees. In addition, the policy requires proper supporting documentation and independent review and approval of adjustments. The Sentencing Clerk now makes all adjustments and the Court Administrator reviews the adjustments. The Sentencing Clerk may adjust only a portion of the fines and costs or adjust the total amount due depending on the case. The Court Administrator reviews a report of partial adjustments quarterly and a report of total adjustments daily. We reviewed the first quarter 2016 partial adjustments report and the June 30, 2016, daily total adjustments report. A municipal judge's order supported all adjustments reported and the Court Administrator's review was documented.</p>
1.2 Noncash transactions	The municipal division did not ensure court personnel properly documented noncash transactions entered into the case management system and had not established procedures for review and approval of these transactions by someone independent of the receipting process. In addition, the municipal division failed to timely record jail time or community service credit earned.
Recommendation	The City of Joplin Municipal Division require an independent review and approval of all noncash transactions, retain adequate documentation to support noncash transactions, and ensure transactions are recorded timely.
Status	<p>Implemented</p> <p>The Court Administrator reviews a report of all noncash transactions daily. We reviewed the June 30, 2016, report and adequate documentation</p>



Twenty-Ninth Judicial Circuit
City of Joplin Municipal Division
Follow-up Report on Audit Findings - Status of Findings

supported each transaction, including an order from the municipal judge, and each was recorded timely. The Court Administrator's review was documented.

1.3 Recording, endorsing, and transmitting procedures

Recording, endorsing, and transmitting procedures needed significant improvement.

- Court clerks did not always record monies received in the case management system or restrictively endorse checks and money orders immediately upon receipt. Monies received with plea bargain agreements pending approval by the municipal judge, advance payments, and some bonds were held until the corresponding ticket had been entered into the case management system. In addition, the municipal division did not always transmit receipts to the city intact or timely.
- The municipal division did not adequately review city provided documentation to ensure bond and restitution liabilities were properly recorded in the city's accounting system.

Recommendation

The City of Joplin Municipal Division record receipts in the case management system timely, endorse checks and money orders immediately upon receipt, and transmit all monies intact and timely. In addition, the municipal division should ensure receipts are properly recorded in the city's accounting system.

Status

In Progress

The municipal division implemented new policies and procedures, but did not always follow them. The municipal division implemented a policy in January 2016 requiring prompt recording of receipts in the case management system, endorsement of checks and money orders immediately upon receipt, and transmitting of all monies to the Finance Department intact and timely. The Court Administrator indicated municipal division receipts are transmitted daily, the city Finance department issues a receipt for the transmittal, and the receipt is compared to a daily municipal division distribution report to ensure the amounts recorded in the city accounting system agree to municipal division records. We reviewed the July 1, 2016, transmittal and the municipal division distribution report agreed to the Finance Department receipt.

This process was in place until the municipal division case management system failed in July 2016. At that time, the municipal division stopped turning over receipts to the city. The system failed on July 13, 2016, and the municipal division did not transmit monies to the city until July 28, 2016, when city personnel identified that transmittals had ceased. A second



Twenty-Ninth Judicial Circuit
City of Joplin Municipal Division
Follow-up Report on Audit Findings - Status of Findings

transmittal occurred on August 2, 2016, prior to an on-site visit performed by the State Auditor's office. These 2 transmittals included cash and checks totaling approximately \$54,000.

In addition, the municipal division did not accept bond monies from the police department between July 13, 2016, and August 2, 2016. The Court Administrator indicated this occurred because the municipal division did not have adequate space in the municipal division safe to secure this money.

We verified with the City Finance Director that daily turnovers resumed as of August 3, 2016. The case management system was restored in August 2016 and the municipal division closed from August 22 to August 26, 2016, so court personnel could update case information in the system.

1.4 Accrued costs

Municipal division personnel did not adequately monitor accrued costs owed to the municipal division, including fines, court costs, fees, and court ordered restitution.

Recommendation

The City of Joplin Municipal Division establish procedures to review accrued costs for accuracy and properly follow up on amounts due.

Status

In Progress

The municipal division implemented a policy in April 2016 to quarterly review accrued costs including examining the accuracy of and proper follow up on amounts due.

The Court Administrator used a report run at the request of the SAO during the audit (the report included accrued costs through November 11, 2015) to perform his first quarterly review rather than a current period report. The Court Administrator identified 3 cases with a disposition of "dismissed," but the cases improperly remained on the report. The Court Administrator presented the information to the Municipal Judge who signed an Administrative Order, dated May 18, 2016, waiving \$32 in fees for these cases. The Court Administrator indicated he will begin using current reports for his subsequent reviews.

2. Liabilities

The municipal division's procedures related to identifying, reconciling, and monitoring liabilities needed improvement.

2.1 Reconciliations

Reconciliation procedures for bonds and restitution were not adequate and some differences between city records and municipal division records remained unresolved.

Recommendation

The City of Joplin Municipal Division work with the city Finance Department to ensure liabilities are properly accounted for and



Twenty-Ninth Judicial Circuit
City of Joplin Municipal Division
Follow-up Report on Audit Findings - Status of Findings

reconciliations and adjustments to liability accounts are reviewed by municipal division personnel. Unidentified differences should be promptly investigated and resolved.

Status

Implemented

The municipal division implemented a policy in April 2016 requiring municipal division and city Finance Department personnel to review a monthly listing of bonds, restitution, and open bonds for accuracy and reconcile municipal division and city records. The reviews are intended to identify and reconcile any discrepancies, as well as ensure the appropriate disbursement of monies.

We reviewed the June 2016 reconciliations performed by the city Finance Department and the municipal division. Documentation for both the bond reconciliation and the restitution reconciliation showed all liabilities had been accounted for and differences had been investigated and resolved.

2.2 Review of open bonds

The municipal division had not established procedures to review the status of open bonds held and ensure the timely disbursement of monies and the accuracy of liabilities.

Recommendation

The City of Joplin Municipal Division routinely review the list of open bonds and disburse or dispose of monies as appropriate.

Status

Implemented

As discussed in the status for MAR finding number 2.1, the municipal division implemented a policy in April 2016 addressing the review of open bonds. Previously a report of open bonds held was printed at the end of each month, but was not reviewed. The review of the list of open bonds is now performed monthly during the reconciliation of city and municipal division bond records. We reviewed the reconciliation process performed for open bonds held in June 2016, and documentation provided showed the open bonds held were reviewed.

2.3 Restitution

The municipal division had not established adequate procedures to properly track, monitor, and disburse court-ordered restitution.

Recommendation

The City of Joplin Municipal Division develop procedures and records to adequately track court-ordered restitution and establish procedures to ensure restitution is accurately and timely disbursed.

Status

Implemented

As discussed in the status for MAR finding number 2.1, the municipal division implemented a policy in April 2016 addressing the monthly review



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and reconciliation of restitution. We reviewed the June 2016 reconciliation and the documentation provided showed court personnel reviewed the accuracy of the restitution due to the municipal division and disbursements made.

3. **Electronic Data Security** User access to the municipal division's electronic data was not properly restricted. We identified problems with both the case management and cash handling modules of the municipal division's case management system. In addition to municipal division personnel, users included various city personnel (finance department, police department, health department, prosecuting attorney's office, etc.). It was found that of the 310 users, 120 users should not have had access; including 89 users who were no longer employed with the city or municipal division and 25 users who could not be identified when city human resource personnel reviewed the list of active users.

Recommendation

The City of Joplin Municipal Division review user access to data and other information resources to ensure access rights are commensurate with current user job responsibilities. The municipal division should also work with the city to ensure changes in the status of city employees are communicated timely so the municipal division can make necessary system access changes.

Status

Implemented

The municipal division adopted a policy in April 2016 outlining procedures for maintaining an accurate authorized user listing within its case management system. A user's access is limited to functions prescribed by their job description and changes in employee status are communicated to the city Information Technology Department when an employee is hired, changes job positions, or terminates, to ensure user and access rights are updated.

- 4.1 **Case Disposition and Warrants - Voided cases** No independent review or approval of cases voided by court clerks was completed. All clerks had the ability to void a case, no prior approval was required to void a case, and no subsequent review of voided cases occurred.

Recommendation

The City of Joplin Municipal Division restrict the ability to void cases, require documented approval, and establish procedures for subsequent review of voided cases.

Status

In Progress

The municipal division restricts entering voided transactions for failure to appear citations for probation appointments to compliance officers and all other voided transactions to one court clerk. The municipal division adopted a policy in November 2015 requiring the weekly review of all citations voided, declined, dismissed, referred to the Circuit Court, or referred to the



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juvenile office to ensure they are properly handling and documenting them. The policy requires the Court Administrator to initial and date the citations after his approval.

We requested a listing of all citations voided in June 2016 and reviewed the documentation for 2 voided citations in detail. The first citation was a "failure to appear for a probation" appointment citation. The notice to appear was retained with a written note showing the date and time that the defendant appeared for the probation appointment later that same day, necessitating voiding the citation. The second citation was written by a Joplin Police Officer who later requested, by affidavit, voiding of the citation. The original citation was retained, but initials of the person voiding it were not on the citation as required by policy.

4.3 Case Disposition and Warrants - Dismissed cases

Documentation of dismissed cases was not always maintained or adequately approved. We reviewed cases dismissed by municipal judge or the Prosecuting Attorney and determined the municipal division did not have documentation for all of the cases. Also, for some of the cases with documentation, the dismissal was not signed by the municipal judge or the Prosecuting Attorney, or a clerk applied the Prosecuting Attorney's signature stamp without noting who used the stamp or the Prosecuting Attorney did not subsequently review usage of the stamp.

Recommendation

The City of Joplin Municipal Division require documented review and approval of all dismissed cases and require user of signature stamp to initial the stamp, and establish procedures for subsequent review and approval of stamped documents.

Status

Implemented

As discussed in the status for MAR finding 4.1, the municipal division implemented a policy in November 2015 addressing the review of dismissed citations to ensure such cases are approved and signed, and the proper use of the signature stamp. We requested a listing of all cases dismissed in May 2016 and reviewed 2 cases in detail. For the first case, the City Prosecutor entered a Nolle Prosequi. The Nolle Prosequi documentation, along with the original citation, stamped "case dismissed" and signed and dated, were retained. For the second case, the prosecutor declined prosecution. The original citation was stamped "declined prosecution," signed, and dated as required.

5.1 Municipal Division Controls and Procedures - Fees

The municipal division failed to assess some fees in accordance with city code and state law and did not have support for recoupment fees charged. We noted issues with the following fees:



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- The municipal division assessed a potentially improper \$25 failure to appear fee.
- The warrant, probation, arrest, and booking fees assessed by the municipal division did not comply with state law or city code.
- The municipal division assessed electronic monitoring and work release fees without the support of an ordinance.
- The municipal division assessed a recoupment fee that has not been formally established by the police department as required by ordinance.

Recommendation

The City of Joplin Municipal Division work with the city and legal counsel to review the assessment of various fees and to ensure all fees are adequately supported and assessed in accordance with city ordinance and state law.

Status

Implemented

We reviewed municipal division administrative orders and city council bills, dated between July 2015 and April 2016, pertaining to the fees discussed in the finding. The city council passed ordinances to repeal the arrest fees and properly authorize the probation, electronic monitoring, and work release fees collected by the municipal division. The municipal judge issued court administrative orders to ensure warrant and booking fees were consistent with city ordinance and state law and the police department formally established a recoupment fee, as required. In addition, the municipal division no longer applies fees for failure to appear without an associated charge and the municipal judge issued an administrative order to remove any failure to appear fees on existing cases and recall any warrants related to the fees.



Office of Missouri State Auditor
Nicole Galloway, CPA

City of Sparta



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Sparta

Financial Condition	The Police, Park, and General Funds are in poor financial condition. The Board of Aldermen (Board) has failed to adequately monitor the city's budget, cash balances, and other transactions of the city, and as a result, was not fully aware of the severity of the financial condition in each fund. In addition, the city's financial records are not complete and accurate, making it difficult to effectively monitor the condition of each fund.
Financial Activity	The city has not established adequate accounting records or procedures and has failed to implement audit recommendations. The city does not account for funds in a consistent manner and maintains more bank accounts than required, resulting in cumbersome and sometimes inaccurate record keeping. The city has not established procedures to properly track and record various statutorily restricted monies. Many of the weaknesses identified in the city's financial statement audits are similar to those documented in our report.
Budgets and Financial Statements	City budgets do not include all elements required by state law and budget amendments were not properly documented or filed timely. In addition, published financial statements were inaccurate and untimely.
Accounting Controls and Procedures	The city's procedures for receipting, recording, transmitting, and depositing are poor. As a result, there is no assurance all monies collected are properly receipted, recorded, transmitted, or deposited. Bank reconciliations were not always completed timely or accurately. At the time of our review in July 2015, the last completed bank reconciliation for any of the city's 17 checking accounts was for the month of April 2015. Officials that sign checks and had access to bank accounts were not covered by a bond.
Payroll Controls and Procedures	Payroll functions are not segregated and there is not a sufficient review of time records and payroll functions. Auditors noted errors with time and leave records, and documentation to support payroll transactions was not always adequate. The city did not have ordinances to address some significant personnel issues and did not always comply with established ordinances. The city also had not adopted a personnel manual or other needed policies. The city did not document the reasons for classifying one Board member and two temporary employees as independent contractors rather than employees.
Utility Controls and Procedures	Significant weaknesses in utility operations were noted. The Board did not segregate duties or perform adequate reviews of the work performed by the former Utility Clerk. The city does not periodically reconcile customer utility deposit balances reported in the utility system to the General Fund available cash balance or the city accounting records. The city allowed some customers to avoid utility shut off by signing a promise to pay agreement without the Board's approval. City procedures do not comply with ordinances when assessing late penalties and discontinuing utility services.
Capital Projects	The city's monitoring and tracking of capital projects, procurement of engineering services, and review of prevailing wage documentation need improvement. The city did not monitor or track project costs to ensure funds

were used for restricted purposes. The city did not solicit statements of qualifications from at least three engineering firms as required by statute. The Board did not receive documentation from a contractor to demonstrate compliance with prevailing wage provisions as required by the contract.

Disbursements	City disbursement controls and procedures need improvement. The oversight and approval process for disbursements and transfers between bank accounts is not adequate. The city's procurement procedures do not always comply with the City Code and the city did not require the Park Board President to abstain from evaluating bids when the appearance of a conflict of interest existed. Professional services are obtained without benefit of a competitive selection process. The city did not obtain adequate documentation to support some disbursements, and some disbursements were not paid timely. Disbursements to the city's trash collection service vendor did not comply with contract requirements, resulting in a potential liability of \$7,647.
Electronic Data Security	Controls over city computer systems are not sufficient. As a result, city records are not adequately protected and are susceptible to unauthorized access or loss of data. Various city personnel and a contracted CPA share the user identification and password for administrative access to the accounting system, and the password is not required to be changed on a regular basis. Security controls are not in place to lock computers after a specified number of failed logon attempts or after a certain period of inactivity. The city has not developed a formal, written contingency plan for resuming normal business operations and recovering computer systems and data in the event of a disaster or other extraordinary situations.
Ordinances and Sunshine Law Issues	Improvement is needed in ordinances and public record requests. City ordinances are not complete or organized. The Board has not adopted a formal policy regarding public access to city records and the city does not maintain a log of public record requests.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

City of Sparta

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Sparta, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Sparta. We have audited certain operations of the city in fulfillment of our duties. The city engaged Decker & DeGood, Certified Public Accountants (CPAs), to audit the city's financial statements for the years ended June 30, 2015, and 2014. To minimize duplication of effort, we reviewed the CPA firm's audit reports for the years ended June 30, 2015, and 2014, and the substantiating working papers of the CPA firm for the year ended June 30, 2014, audit. The scope of our audit included, but was not necessarily limited to, the fiscal year ended June 30, 2015. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

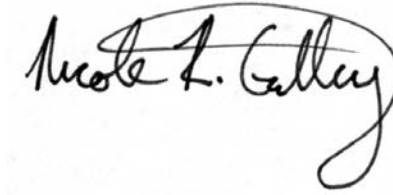
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and its audited financial report and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Sparta.

An additional report, No. 2016-044, *Thirty-Eighth Judicial Circuit, City of Sparta Municipal Division*, was issued in July 2016. That report identified problems with the municipal division's lack of procedures to identify minor traffic violation tickets and the associated fines and court costs collected, and the city's procedures to calculate whether excess revenues are due to the Missouri Department of Revenue. The complete findings, recommendations, and auditee responses are contained in that report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
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City of Sparta

Management Advisory Report

State Auditor's Findings

1. Financial Condition

The Police, Park, and General Funds are in poor financial condition. The Board of Aldermen (Board) has failed to adequately monitor the city's budget, cash balances, and other transactions of the city, and as a result, was not fully aware of the severity of the financial condition in each fund. In addition and as noted in the remainder of this report, the city's financial records are not complete and accurate, making it difficult to effectively monitor the condition of each fund.

Police Fund

The Police Fund has carried a deficit fund balance since at least June 30, 2011. The following table shows the activity of the Police Fund for fiscal years 2012 through 2015.

	Year ended June 30, ¹			
	2015	2014	2013	2012
Beginning fund balance	\$ (173,104)	(141,041)	(18,156)	(5,199)
Revenues				
General sales tax	127,511	119,001	98,744	116,577
Fines and forfeitures	56,449	28,989	17,224	27,904
Grants	1,500	1,850	785	970
Motor fuel and vehicle taxes	6,800	6,452	0	0
Law enforcement training	896	0	0	0
Other	99	2,362	1,019	65
Transfer in	0	45,752	0	0
Total revenues	193,255	204,406	117,772	145,516
Expenditures				
Capital outlay	8,945	0	5,203	10,044
Operations	211,295	236,469	235,454	148,429
Total expenditures	220,240	236,469	240,657	158,473
Ending fund balance	\$ (200,089)	(173,104)	(141,041)	(18,156)

¹ Information presented was obtained from independent audit reports.

The Police Fund also owed more than \$200,000 to other city funds and the city owed a local bank approximately \$19,000 related to the June 2015 purchase of a new patrol vehicle. City officials planned to use the Police Fund to make payments for the vehicle. According to the independent auditor's report for the year ended June 30, 2015, the Police Fund owed \$69,654 to the Water Fund, \$63,742 to the General Fund, \$54,768 to the Sewer Fund, and \$14,757 to the Street Fund and there was no formal plan for repayment. The Police Fund also owed the General Fund for approximately \$12,250 in department expenses and \$79,400 in payroll related expenses paid from the general checking account during the year ended June 30, 2015. Repayment of these amounts is not required, but the city has historically reimbursed the General Fund for all police department expenses paid. As of June 30, 2015, the available bank balance for all Police Fund accounts (see Appendix C) totaled \$5,156.



City of Sparta
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Park Fund

As of June 30, 2015, the Park Fund balance was only \$5,445. The Park Fund rebounded from a June 30, 2012, deficit balance of \$(6,424), to a fund balance of \$35,117 as of June 30, 2014. However, revenues from the park sales tax significantly decreased in October 2014, when the tax rate dropped from 1/2 of 1 percent, to 1/4 of 1 percent, as required by the sales tax ballot language. In addition to the decreased revenue, the city completed a project to construct a walking trail at the park costing \$71,620. Also, the Park Fund owed the General Fund \$15,257, according to the independent auditor's report for the year ended June 30, 2015. As of June 30, 2015, the available bank balance for all Park Fund accounts (see Appendix C) totaled \$20,677.

General Fund

The General Fund is in a weakened condition as a result of subsidizing the Police and Park Funds. The following table shows the activity of the General Fund for fiscal years 2012 through 2015.

Year ended June 30, ¹				
	2015	2014	2013	2012
Beginning fund balance	\$ 103,133	130,997	147,717	201,071
Revenues				
Property and franchise tax	117,988	117,853	112,058	107,421
Motor fuel and vehicle taxes	0	0	63,148	53,031
Fines and forfeitures	12,985	16,924	24,762	1,035
Grants	0	0	8,621	0
Licenses, rent, and other	18,889	19,611	11,797	4,877
Transfer in	8,938	0	0	0
Total revenues	158,800	154,388	220,386	166,364
Expenditures				
General government	133,614	124,694	224,356	211,095
Streets	0	0	11,071	1,597
Capital outlay	0	0	1,679	7,026
Transfer out	0	57,558	0	0
Total expenditures	133,614	182,252	237,106	219,718
Ending fund balance	\$ 128,319	103,133	130,997	147,717

¹ Information presented was obtained from independent audit reports.

In addition, the General Fund owed the utility funds approximately \$81,000 for utility deposits, penalties, and connection fees originally deposited into the general checking account and recorded as receipts into the General Fund (see MAR findings numbers 2.2 and 6.2). For financial statement purposes, the receipts were later adjusted out of the General Fund and into the Water/Sewer Funds, but the city did not transfer actual funds between bank accounts and as a result, the financial statement balance does not reconcile to the bank account balance. Similar adjustments were likely made in other years. As of June 30, 2015, the available bank balance for all General Fund accounts (see Appendix C) totaled \$57,983.



City of Sparta
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Conclusion

It is essential the Board address the financial condition of the Police, Park, and General Funds both in the immediate- and long-term future. To improve the financial condition the Board should reduce spending as much as possible, address interfund and other obligations, and evaluate controls and management practices to ensure efficient use of city resources. Activities of the city that operate at a loss should be carefully analyzed for ways to make them more cost effective.

Recommendation

The Board of Aldermen closely monitor the city's financial condition. Additionally, the Board of Aldermen should establish a plan to repay interfund obligations, and periodically review expenses of the city to ensure activities are operating efficiently and continue to be in the best interest of the city.

Auditee's Response

The Board is aware of the financial situation of the Police, Park, and General Funds, and is working to correct this issue. The Police Fund has repaid some of what is owed to the General Fund. The Board adopted Ordinance No. 538, which eliminates \$63,472 as a receivable of the General Fund and a payable of the Police Fund. The Board plans to continue transferring available funds to the other funds owed by the Police Fund until the obligations are repaid. The city has adopted a very tight budget for the police department and will closely monitor all future activity. The Park Fund has repaid the amount due to the General Fund and was also given a very tight budget for current operations in light of the current conditions. With the repayment of these obligations and other actions taken, we believe the General Fund will stabilize, but will monitor it and all other funds to stop the deterioration of the funds and work toward recovery.

2. Financial Activity

The city has not established adequate accounting records or procedures and has failed to implement audit recommendations.

The city experienced significant turnover in several key management and financial positions during fiscal years 2016 and 2015, including City Clerk,¹ Deputy City Clerk/Court Clerk,² Utility Clerk,³ and contracted Certified Public Accountants (CPA).⁴ A summary of turnover in principal officials is detailed in the Organization and Statistical Information section.

¹ The former City Clerk resigned in June 2015.

² The former Deputy City Clerk/Court Clerk resigned in June 2015.

³ The former Utility Clerk resigned in December 2015.

⁴ The city contracted with independent CPAs not associated with the financial statement audit to provide financial services. One CPA terminated services in January 2015, and the city contracted with another CPA in February 2015. The second CPA terminated services in August 2015.



City of Sparta
Management Advisory Report - State Auditor's Findings

The Board is responsible for establishing funds and bank accounts. The former City Clerk, former Deputy City Clerk/Court Clerk, and former Utility Clerk were responsible for recording receipts into the accounting system. The former City Clerk and former Deputy City Clerk/Court Clerk also recorded disbursements and transfers into the accounting system. All 3 clerks made adjustments to the accounting system. The city contracted with CPAs not associated with the financial statement audit to complete monthly bank reconciliations and prepare monthly financial statements. Several adjustments in addition to those made by the clerks were often necessary to complete the reconciliations. Annually, the city contracts with an independent auditor to perform a financial statement audit. To complete this work, the independent auditor proposes transfers and other adjustments to be recorded in the accounting records by the city.

2.1 Establishment of funds and bank accounts

The city does not account for funds in a consistent manner. In addition, the city maintains numerous bank accounts and more bank accounts than required. These issues result in cumbersome and sometimes inaccurate record keeping. At June 30, 2015, the city maintained 20 bank accounts (17 checking and 3 certificates of deposit), recorded financial transactions for 10 funds within the accounting system, reported 7 funds in its audited financial statements, and budgeted 3 funds in the year ended June 30, 2015, and 5 funds in the year ended June 30, 2016.

Appendix C documents funds reported in the various financial tools available to the city for planning and monitoring financial activity and the corresponding bank accounts for each fund. As shown in that appendix, the identified funds varied between the financial statements, accounting system, budget, and bank accounts, making tracking and accounting for fund balances difficult. In addition, our review of financial activity identified inconsistent recording of receipts and disbursements between these funds and bank accounts, including monies deposited into a bank account, but not recorded into the corresponding fund. These problems increase the risk restricted funds could be used for unrestricted purposes (see section 2.2). Further, all disbursements are issued from one checking account regardless of fund. To allocate these costs to various funds requires numerous transfers between bank accounts.

To simplify city records, reduce the number of account transfers, and minimize the risk of errors, the Board should review established funds; ensure those funds are properly accounted for, budgeted, and reported; and consider reducing the number of bank accounts.

2.2 Restricted revenues

The city has not established procedures to properly track and record various statutorily restricted monies.



City of Sparta Management Advisory Report - State Auditor's Findings

- The city does not have support to demonstrate restricted motor vehicle-related tax revenues recorded and deposited in the Police Fund are used for policing city roads. During the year ended June 30, 2015, the city received \$68,004 in motor vehicle-related tax revenues. Missouri Constitution, Article IV, Section 30(a) and 30(b), requires motor vehicle-related revenues apportioned by the state of Missouri be expended for road purposes only. The city deposited 10 percent of these monies into the Police checking account (recorded to the Police Fund) and the remainder into the General checking account (recorded to the Street Fund). In March 2013, the Attorney General issued a letter concluding "the motor vehicle fuel tax monies may not be used for law enforcement purposes in general--only that portion of law enforcement engaged in keeping the roads controlled, regulated, and in good order may be funded with these monies."
- During the year ended June 30, 2015, the city received \$15,491 in penalties for late payment of utility bills, and \$4,161 in reconnection fees. These receipts were deposited and recorded in the General Fund instead of the Water or Sewer Funds and the use of the receipts was not restricted. Section 250.150, RSMo, restricts the use of water and sewer monies for operating the systems, payment of bonds, establishment of a reserve, fulfillment of any agreements contained in ordinances, and payment of costs of improvements of such systems. In addition, city ordinance 447 restricts the use of water and sewer monies to utility operations, maintenance, and debt payments.

To be of maximum assistance to the Board and adequately inform the public, accounting records should accurately report financial activity and account balances. To ensure restricted monies are used for the intended purpose, monies received should be credited to the appropriate fund, and disbursements should be paid from the appropriate funds.

2.3 Corrective action

The city failed to implement recommendations made by the independent auditor who performed the city's financial statement audit for the year ended June 30, 2013. Weaknesses identified in that audit included deficit budgeting for the Police Fund, misuse of Water and Sewer Funds to subsidize Police Fund expenses, failure to amend the budget when needed, failure to properly allocate some revenues and expenses, and failure to adopt an investment policy. The city generally responded in agreement with the auditor's findings; however, the independent auditor repeated many of these findings in the city's financial statement audits for the years ended June 30, 2015, and 2014, and these findings are similar to those documented in our report. Many of these issues likely contributed to the city's poor financial condition.



City of Sparta
Management Advisory Report - State Auditor's Findings

2.4 Adjustments

There is no independent review or approval of adjustments recorded in the accounting system by the former City Clerk, former Deputy City Clerk/Court Clerk, former Utility Clerk, and former contracted CPAs, and documentation supporting these changes to accounting records were not always maintained. During the year ended June 30, 2015, city employees or contractors recorded 36 adjusting journal entries, voided 18 transactions, deleted 20 transactions, and altered 5 transactions. The value of transactions affected by these actions totaled \$89,849. To ensure adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments and supporting documentation for all changes should be retained.

Recommendations

The Board of Aldermen:

- 2.1 Review established funds, and ensure those funds are properly accounted for, budgeted, and reported. In addition, the Board of Aldermen should consider reducing the number of bank accounts.
- 2.2 Establish procedures to ensure restricted monies are used only for allowable purposes.
- 2.3 Implement audit recommendations timely.
- 2.4 Require supporting documentation and an independent review and approval of all adjustments.

Auditee's Response

- 2.1 *In November 2015, the Board passed Ordinance numbers 525 and 526, which established 8 funds, 8 corresponding checking accounts, and 3 certificates of deposit, to be used for all internal financial accounting and reporting.*
- 2.2 *All motor vehicle-related tax revenues are now recorded and deposited into the Street Fund, and all utility related revenues are now recorded and deposited into the Water and Sewer Funds. The new Police Chief has developed an analysis of time/cost for "keeping the roads controlled, regulated, and in good order," and the Board will review and approve this analysis before approving any future allocation of motor vehicle-related tax revenues to the Police Fund.*
- 2.3 *We will consider all recommendations provided and will work to implement the recommendations.*
- 2.4 *The city is in the process of implementing new utility billing and court system software. New hardware has also been recently installed including a new server. Once implemented, the City Clerk*



City of Sparta
Management Advisory Report - State Auditor's Findings

will review the software's reporting options to determine the available reports to provide the necessary information to the Board, including a report of adjustments. This report will be included in the Board's packets prepared for regular session meetings, and will be reviewed and approved by the Board with other financial information from the existing accounting software (QuickBooks).

3. Budgets and Financial Statements

3.1 Budgets

City budgets do not include all elements required by state law and budget amendments were not properly documented or filed timely. In addition, published financial statements were untimely and inaccurate.

Budgetary procedures were not adequate and contributed to the city's poor financial condition.

Budget preparation

During fiscal years 2016 and 2015, the Board did not prepare a budget for each individual fund (see Appendix C); budgets did not always include a budget message, budget summary, the actual beginning and estimated ending cash balances; and budget documents were not always updated to present the most current actual financial information available. Budget documents are prepared before year end using estimates for some actual amounts; however, these estimates are not updated as actual information becomes available.

Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and sets specific guidelines for the format. A complete budget should include the beginning available resources and a reasonable estimate of the ending available resources. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in setting tax levies and informing the public about city operations and current finances.

Budget deficit

The Board has continually budgeted a deficit in the Police Fund. Missouri Constitution, Article VI, Section 26(a), and Section 67.010.2, RSMo, prohibit deficit budgeting.

Budget monitoring and amendments

The Board does not adequately monitor budget-to-actual receipts and disbursements, budget amendments were not completed timely, and some budget amendment documents had insufficient information. As a result, actual expenditures of the Park Fund at June 30, 2015, exceeded the budget by \$65,318 and actual expenditures of the General Fund at June 30, 2015, exceeded the amended budget by \$28,474.

On July 22, 2014, subsequent to fiscal year end, the Board approved an amendment for the year ended June 30, 2014, budget to adjust budgeted



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disbursements to agree to actual disbursements. Prior to the amendment, disbursements exceeded the original budgeted disbursements. In addition, the Board approved budget amendments for the year ended June 30, 2015, for the General, Water, and Sewer Funds on October 28, 2014, to reallocate payroll expenses for the former City Clerk and former Deputy City Clerk/Court Clerk. The budget amendments included revised payroll expenditures, but did not indicate how the changes impacted ending cash balances.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted, but allows for budget increases if the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no disbursement of public monies should be made unless it is authorized in the budget. Proper monitoring and amending prior to disbursing funds is necessary for the budget to be an effective management tool and comply with state law.

3.2 Published financial statements

The city did not always publish timely and accurate financial statements. The financial statement for the 6 months ending June 30, 2014, was not published until December 31, 2014, and reported inaccurate information. The financial statement was revised and republished on February 11, 2015. The December 31, 2014, financial statement was originally published on February 18, 2015; however, the information was again published inaccurately and a revised statement was republished on March 4, 2015.

Section 79.160, RSMo, requires the Board prepare and publish semiannual financial statements that include a full and detailed account of the receipts, disbursements, and indebtedness of the city. To ensure compliance with this statute, the Board should require timely preparation of financial statements and review the statements for accuracy prior to publication.

Recommendations

The Board of Aldermen:

- 3.1 Ensure budgets comply with state law. In addition, the Board of Aldermen should monitor budget-to-actual information, and prepare timely and detailed budget amendments prior to incurring the related expenditures.
- 3.2 Ensure timely and accurate publication of the city's semiannual financial statements as required by state law.

Auditee's Response

- 3.1 *While we have made several improvements to our budgeting practices in the compilation of the fiscal year 2017 budget, we acknowledge some areas which still need improvement. We are working to address each area and will do our best to ensure compliance with state budget law in the future. With proper*



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utilization of existing accounting system software, we will have access to budget-to-actual reports which will be provided to the Board for review and approval at least monthly. We will use these reports to monitor fund activity and to ensure budget amendments are complete and timely.

- 3.2 *We will work to ensure financial statements are published timely and the information contained is accurate. We believe the implementation of the new system hardware and software will help with this issue.*

4. Accounting Controls and Procedures

Numerous weaknesses exist with the city's accounting controls and procedures. During the year ended June 30, 2015, city receipts totaled nearly \$1.3 million for all funds. Of this amount, approximately \$890,000 was handled and processed by employees at City Hall. Other monies are deposited directly into the city's bank accounts by the payor.

4.1 Receipting, recording, transmitting, and depositing procedures

The city's procedures for receipting, recording, transmitting, and depositing are poor. As a result, there is no assurance all monies collected are properly receipted, recorded, transmitted, or deposited.

- The city does not issue official receipt slips for monies received or transmitted by other city departments. Generic manual receipt slips are issued when requested. In a review of monies deposited between November 1, 2014, and January 31, 2015, we identified 54 transactions totaling \$87,029 deposited by the city without the issuance of a receipt slip.
- The city does not always record the method of payment on receipt slips. In a review of 46 manual receipts slips issued between November 1, 2014, and January 31, 2015, we identified 10 receipt slips (22 percent) with no method of payment (i.e., cash, check, money order, etc.) denoted. In addition, original copies of some voided receipt slips were not retained.
- The city does not account for the numerical sequence of transaction numbers assigned by the city's computerized utility system. At our request, the system programmer provided a report of all transaction numbers processed during the year ended June 30, 2015. Our review identified 22,183 transactions with unique transaction numbers recorded during this period; however, gaps in the transaction number sequence indicate 7,691 missing transaction numbers. These items may be deleted or voided non-monetary transactions.
- City personnel do not record receipts into the computerized accounting system timely and the computerized accounting system allows users to



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backdate payments received in the system. Audit work identified receipts totaling \$2,656 were deposited on June 9, 2015; however, corresponding transactions were not recorded in the computerized accounting system until June 19, 2015. When recording these receipts, city personnel backdated the entries to June 9, 2015, in the accounting system.

- Deposits are not always made intact or timely. According to the former Utility Clerk, payments were sometimes held and cash refunds issued.
- City personnel do not reconcile the amount or composition of recorded receipts to the computerized accounting system or deposits.

Failure to implement adequate receipting, recording, transmitting, depositing, and refunding procedures increases the risk that loss, theft, or misuse of monies will go undetected and accounting records will contain errors.

4.2 Bank reconciliations

Bank reconciliations were not always completed timely or accurately. At the time of our review in July 2015, the last completed bank reconciliation for any of the city's 17 checking accounts was for April 2015. Bank reconciliations are generally completed by the city's contracted CPA; however, the contractor was not available to complete this work.

Timely monthly bank reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected and corrected timely.

4.3 Bonding

The Mayor, Mayor Pro-Tem, and another Board Member, who signed checks and had access to monies held in bank accounts, were not covered by a bond. Failure to properly bond individuals who have access to funds exposes the city to risk of loss.

Recommendations

The Board of Aldermen:

- 4.1 Issue official prenumbered receipt slips for all monies received, record the method of payment on receipt slips, and deposit receipts intact and timely. In addition, the Board of Aldermen should account for the numerical sequence of transaction numbers in the computerized utility system, record receipts in the computerized accounting system timely, and reconcile the amount and composition of receipts to the computerized accounting system and deposits. Also, all refunds should be made by check.
- 4.2 Ensure bank reconciliations are completed timely and accurately.



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Auditee's Response

4.3 Maintain bond coverage for all personnel with access to city monies.

4.1 *Receipt slips are now issued for all monies. Utility payment receipts are issued through the new utility software and manual receipt slips are used for all other payments received. All receipt slips indicate method of payment, are issued in numerical sequence, and that sequence is accounted for at the time of deposit. Deposits are made intact each day, and are reconciled in composition and amount to the receipts. Deposits are recorded in the accounting system the same day or day after and backdating information is no longer allowed. All refunds now go through the disbursement process, are approved by the Board, and made by check.*

4.2 *Bank reconciliations have been caught up and are now completed monthly.*

4.3 *The city plans to obtain a blanket bond for all employees and elected officials in the future.*

5. Payroll Controls and Procedures

Significant improvement over payroll controls and procedures is needed. The city disbursed approximately \$256,000 in wages during the year ended June 30, 2015.

5.1 Payroll procedures

Payroll functions are not segregated and there is not a sufficient review of time records and payroll functions. We noted errors with time and leave records and documentation to support payroll transactions was not always adequate.

- The former City Clerk was primarily responsible for all payroll functions, including receiving time records, processing her own payroll, entering time and leave data into the payroll system, preparing payroll checks, and preparing and distributing employee W-2 forms. Payroll records were not reviewed by the Board or someone independent of the payroll function.

The former City Clerk did not always prepare documentation to support her own payroll transactions and there was no review of her payroll. We reviewed 27 payroll disbursements to the former City Clerk, and determined she did not prepare or retain timesheets or other support for 9 of the payments. These disbursements include pay for 46 hours of overtime worked. We also identified incorrect payroll calculations in 5 of the other 18 disbursements, which included pay for 35 hours of sick leave she had not accrued. Due to the extent of the former City Clerk's responsibilities over payroll, a supervisory review of the former City Clerk's time and leave records was essential and would likely have detected the errors.



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- Timesheets were not prepared or maintained for all employees and prepared timesheets were not always signed by the employee or his/her supervisor to document approval of time worked and leave used. The city has not established any other method for the approval of overtime, compensatory time, or leave used; therefore, supervisory approval of timesheets is necessary.

Proper segregation of duties helps ensure all payroll transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of payroll duties cannot be achieved, a periodic independent review of the records should be performed and documented. Signed and approved time records are necessary to document hours worked, substantiate payroll disbursements, monitor hours worked and leave taken, and demonstrate compliance with the Fair Labor Standards Act (FLSA).

5.2 Personnel ordinances and policies

The city did not have ordinances to address some significant issues and did not always comply with established ordinances. The city also had not adopted a personnel manual or other needed policies.

- The city does not calculate accrued vacation leave as required by ordinance. Ordinance 13-001 states vacation leave is to be accrued on the first day of each calendar year; however, city employees have been accruing vacation leave on employment anniversary dates. As a result, some employee vacation leave balances are inaccurate.
- Nonworking time (vacation, sick leave, compensatory time taken, and holidays) is included in total hours worked when determining the amount of overtime earned by employees, which is not required by the FLSA. As a result, the city has been paying more overtime to employees than required. The city does not have an ordinance or policy that addresses the hours to be considered when calculating overtime or compensatory time. During the year ended June 30, 2015, the city paid \$12,851 in overtime compensation to 9 employees.
- The city's paid holiday ordinance is not complete and does not specify the number of hours paid for each employee. As a result, employees received one paid holiday not allowed by city ordinance and some employees were paid for 10 hours for each holiday while others only 8 hours.

Strict compliance with personnel ordinances is necessary to ensure employees are properly compensated. In addition, detailed written ordinances or policies are necessary to provide guidance to city employees, provide a basis for proper compensation, and avoid misunderstanding.



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5.3 Contracted labor

The city did not document the reasons for classifying one Board member and two temporary employees as independent contractors rather than employees. The city did not withhold payroll and income taxes from payments made to these individuals. All other Board members were classified as employees. Proper classification of employees is necessary to ensure compliance with various state and federal laws and regulations. The failure to withhold and properly report payroll and income taxes for city employees makes the city potentially subject to additional tax liabilities along with penalties and interest. Also, Section 105.300, RSMo, defines an elected or appointed officer or employee of a political subdivision as an employee for Social Security and Medicare tax purposes. For employees, the Internal Revenue Service requires employers to report compensation on W-2 forms and withhold and remit income and payroll taxes.

Recommendations

The Board of Aldermen:

- 5.1 Adequately segregate payroll duties or, at a minimum, ensure a documented periodic review of these functions is performed by someone independent of the payroll functions. In addition, the Board of Aldermen should ensure timesheets are prepared, properly signed, approved and retained for all employees, and the information is reviewed for accuracy prior to entry into the accounting system.
- 5.2 Adopt necessary personnel ordinances and/or policies, and ensure compliance with those ordinances and policies.
- 5.3 Ensure persons are properly classified as employees or independent contractors in compliance with state and federal laws and regulations, and all employee compensation paid is subject to proper withholdings and properly reported.

Auditee's Response

- 5.1 *Due to the limited number of city employees available to complete these tasks, the Board and Mayor will apply additional oversight to payroll procedures to ensure all transactions are appropriate. Currently, all employees are required to complete and sign a timesheet. All supervisors review and sign off on their employees timesheets. The review and approval of supervisor's timesheets has not been completed regularly, but the Mayor plans to review and sign supervisor timesheets each pay period in the future.*
- 5.2 *We will review our current ordinances and adopt any updated or new personnel ordinances necessary.*
- 5.3 *All Board members are now paid as employees and are subject to proper withholdings. While we do not have any contracted*



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employees at this time, we will ensure future contracted employees are properly classified.

6. Utility Controls and Procedures

We noted significant weaknesses in utility operations. The city provided utility services to approximately 850 customers during June 2015. According to the city's profit and loss statement, the city collected approximately \$295,000 for water service and connection fees, \$235,000 for sewer services and fees, \$89,000 for trash service, and \$15,000 for penalties during the year ended June 30, 2015.

6.1 Segregation of duties

The Board did not segregate duties or perform adequate reviews of the work performed by the former Utility Clerk. The former Utility Clerk was responsible for all aspects of the utility billing process, including creating customer utility accounts; preparing bills; receiving, recording, and depositing customer payments; and posting entries in the utility system.

In addition, the former Utility Clerk posted adjustments to customer accounts, including writing off accounts deemed uncollectible and applied customer deposits to final billings, without obtaining independent documented approval or maintaining adequate documentation to support the reason for some adjustments. During the year ended June 30, 2015, the former Utility Clerk made 863 adjustments to customer accounts totaling \$25,828 (\$8,195 positive, \$17,633 negative). City ordinances do not allow some adjustments made including removing minimum charges on active accounts with no water usage during the month and prorating charges for trash service. There is no documentation the Board approved any of the adjustments made during the year ended June 30, 2015.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. In addition, requiring someone independent of receipting and recording functions to review and approve adjustments made would help ensure all adjustments are valid.

6.2 Utility deposits

The city does not periodically reconcile customer utility deposit balances reported in the utility system to the General Fund available cash balance or the city accounting records. The city collects a \$125 deposit from new water and sewer customers and deposits the monies in the General checking account. At our request, the former Utility Clerk printed a report of deposits held as of June 30, 2015, from the utility system. The report totaled \$61,055. The utility system report could not be reconciled to the \$79,356 in customer deposits recorded in the accounting system as of June 30, 2015, or the General checking available bank balance of \$53,059 at June 30, 2015, indicating a significant shortage in funds available to meet utility deposit liabilities. The General checking account shortage may be, in part, the result



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of approximately \$90,000 in unreimbursed Police Fund expenses paid from this checking account, as discussed in MAR finding number 1.

Periodic reconciliation of the customer utility deposit balances to city accounting records and the available cash balance should be completed to ensure sufficient funds are available for potential utility deposit liabilities. Such reconciliations would allow for prompt detection of discrepancies.

6.3 Promise to pay

City personnel allowed some customers to avoid utility shut off by signing a promise to pay agreement without the Board's approval. The former Utility Clerk indicated customers signed a promise to pay agreement to document an extension to pay the balance due on their utility account and she provided these agreements to the Mayor for review and approval. However, some amounts due did not agree to current account balances, customers who did not pay the balance due on the agreed upon date were not always disconnected, and the Mayor's review and approval was not always documented. In addition, the Board was not aware of the use of these agreements. The city does not have a policy or ordinance addressing the use of promise to pay agreements.

To ensure the city applies consistent procedures for past due accounts, the Board should review the use and necessity of promise to pay agreements and consider discontinuing the practice or develop an ordinance or formal policy about the use of such agreements if continued.

6.4 Penalties and shut off procedures

City procedures do not comply with city ordinances when assessing late penalties and discontinuing utility services. The city prints and mails billings at the end of each month. Billings show payment is due by the 15th of the following month. If payment is not received, a 10 percent penalty is assessed on the 16th; however, city ordinances indicate users have until the end of the month (30 days) to pay the bill before a penalty is assessed.

City personnel print delinquent notices on or near the 22nd of each month. These notices are mailed before the accounts are considered delinquent by city ordinances and the notices do not provide the required 10 days for payment or request of hearing, as the ordinances require. Also, the former Utility Clerk indicated the Mayor and former Deputy City Clerk/Court Clerk established and followed a shut off schedule each year to ensure shut off days did not coincide with municipal division proceedings or holidays and did not fall on a Monday or Friday. This schedule was not presented to the Board for review and approval, and did not comply with the requirements of the ordinances.

Ordinances 14-015 and 468 state payments are due when billings for services are made and any payment not received within 30 days after the billing is made shall be considered delinquent and incur a penalty of 10



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percent. When any bill is 30 days or more in default, services can be shut off following due notice allowing 10 days to pay and opportunity for hearing. If no payment or appeal is received within the 10 day period, the city may shut off services. Failing to enforce city ordinances results in inconsistent application of penalties and shut off procedures and reduces the incentive for customers to make timely payments.

Recommendations

The Board of Aldermen:

- 6.1 Segregate the duties of the Utility Clerk. At a minimum, there should be a documented review of city utility records including adjustments.
- 6.2 Periodically reconcile customer deposits per accounting records to the available cash balance for customer deposits and promptly investigate any differences.
- 6.3 Review the use and necessity of promise to pay agreements and consider discontinuing the practice or develop an ordinance or formal policy about the use of such agreements if continued.
- 6.4 Ensure compliance with utility ordinances regarding late fees and service shut off.

Auditee's Response

- 6.1 *Due to the limited number of city employees available to complete these tasks, the Board will apply additional oversight to utility procedures to ensure all transactions are appropriate. Currently, the City Clerk completes a documented review of receipts and deposits for utility monies. Once the implementation of the new utility software is complete, the Board will receive reports of utility system activity, including a report of adjustments, in the Board's packets for review and approval with other financial information.*
- 6.2 *The city is working to transfer all utility deposit information into the new utility software system. Once this is complete, the City Clerk and Utility Clerk will work to reconcile the new software system to reports generated from the old software system. After they ensure this information is complete and accurate, they will reconcile the new utility software system to the accounting system and will continue to complete this reconciliation periodically. In the meantime, the city has set aside \$55,000 in a certificate of deposit identified as utility deposits and once the true balance of utility deposits has been determined, will adjust this as necessary.*



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- 6.3 *The city has established a formal policy for promise to pay agreements and has developed a tracking system to ensure compliance with that policy.*
- 6.4 *In January 2016, the Board passed Ordinance 528 which reconciled city ordinance regarding late fees and service shut off with city procedures.*

7. Capital Projects

The city's monitoring and tracking of capital projects, procurement of engineering services, and review of prevailing wage documentation need improvement. During the year ended June 30, 2015, the city began, continued, and/or completed several capital projects including road improvements, a new water tower and infrastructure, and a walking trail.

7.1 Monitoring and tracking

The city did not monitor or track project costs to ensure proper usage of restricted funds. In February 2014, the city entered into an intergovernmental agreement with Christian County accepting \$41,185 for use on the Vanilla Bean low water crossing project. Our review of city disbursements determined the city spent \$39,779 as of September 2015 on this project. The project was completed in June 2015 and no additional expenses are expected. As a result, the city did not use \$1,406 of the money received and it should be returned to the county.

In addition, the agreement required the city to provide accounting records for this project to the county auditor for inspection on a quarterly basis. The city did not provide any records to the county. Without adequate monitoring and tracking procedures, the city cannot ensure compliance with contractual requirements. Had the city adequately monitored this project and tracked disbursements, the unspent funding could have been identified.

7.2 Engineering services

The city did not solicit statements of qualifications from at least three engineering firms as required by statute. In June 2011, the city hired an engineering firm for the new water system infrastructure project. The city only reviewed qualifications from two firms. In addition, disbursement records show the city used the selected engineering firm for other unrelated projects without reevaluating statements of qualifications. During the year ended June 30, 2015, the city paid the engineering firm \$142,089. Sections 8.287 and 8.291, RSMo, provide requirements for obtaining, evaluating, and negotiating engineering services.

7.3 Prevailing wage

The Board did not receive documentation from the contractor for the walking trail project to demonstrate compliance with prevailing wage provisions as required by the contract. The contract required the contractor submit certified payroll information for on-site employees. This vendor was also a subcontractor for a road maintenance project and again did not submit this documentation. In addition, Sections 290.210 to 290.340, RSMo, and 8 CSR 30-3.010, provide requirements regarding prevailing wages.



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Recommendations

The Board of Aldermen:

- 7.1 Establish procedures to monitor projects and track project costs. In addition, the Board of Aldermen should ensure compliance with contractual agreements and return unspent monies to the county.
- 7.2 Comply with state law when procuring engineering services.
- 7.3 Ensure adequate documentation is submitted to substantiate prevailing wages are paid on construction projects as required by contract and state regulation.

Auditee's Response

- 7.1 *As future projects occur, the city will monitor and track project costs appropriately. We will also ensure compliance with all contractual agreements and will talk to the Christian County Commission about the remaining balance of the intergovernmental grant for the Vanilla Bean project to see if that money can be used for a new Vanilla Bean project.*
- 7.2 *In the future, we will comply with state law when procuring engineering services.*
- 7.3 *In the future, we will ensure documentation is submitted and reviewed to substantiate prevailing wages are paid as required.*

8. Disbursements

City disbursement controls and procedures need improvement. During the year ended June 30, 2015, the city disbursed more than \$1.1 million.

8.1 Oversight and approval process

The oversight and approval process for disbursements and transfers between bank accounts is not adequate.

Oversight

The former Deputy City Clerk/Court Clerk was responsible for all disbursement duties including receiving invoices from vendors; entering invoices into the accounting system for payment; compiling the list of bills and allocations/transfers for presentation to the Board; printing, signing and mailing checks; and processing transfers between bank accounts. No one performed a subsequent independent review of disbursements. In addition, the former Deputy City Clerk/Court Clerk had signature authority on all bank accounts held by the city, and only one signature was required for checks.

Approval of bills

The list of bills approved by the Board was not complete or compared to approved invoices and actual checks written. The lists approved by the Board during the year ended June 30, 2015, did not include payroll and payroll liability disbursements totaling approximately \$214,000 and electronic disbursements totaling approximately \$163,000 and listed some



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inaccurate amounts. Disbursements not presented to the Board represented approximately 34 percent of total disbursements.

Transfers

Disbursement allocations lists were not complete and accurate and not compared to actual transfers. The former Deputy City Clerk/Court Clerk prepared these lists to support transfers between funds and presented them, along with a list of bills, to the Board at each meeting.

The disbursement allocations lists approved by the Board during the year ended June 30, 2015, did not include 116 transfers (totaling \$217,850) of 221 transfers (totaling \$729,713) that occurred. In addition, some amounts listed were not accurate, or the transfer was made from the wrong account. Also, city personnel did not complete 45 transfers timely. For example, the transfer of the March 2014 police department payroll disbursement allocation from the Police checking account to the General checking account did not occur until November 13, 2014. In some instances, transfers could not be completed due to insufficient balances in bank accounts. The Board was not notified of these situations when they arose.

Approval of invoices

The city did not require department heads to document their review and approval of invoices and did not require documentation acknowledging receipt of goods or services. The lack of review resulted in the city failing to note higher than contracted rates charged, overpaying for attorney services, failing to take early payment discounts available, paying sales tax, and reimbursing employees incorrect amounts for travel expenses.

Conclusion

Proper segregation of duties and adequate oversight of accounting functions helps ensure all transactions are accounted for properly and assets are adequately safeguarded. To ensure disbursements and transfers are appropriate, the Board should ensure the disbursement information approved is complete and a comparison of the information to approved invoices, checks written, and transfers completed is documented.

8.2 Procurement procedures

The city's procurement procedures do not always comply with the City Code and the city did not require the Park Board President to abstain from evaluating bids when the appearance of a conflict of interest existed.

- The city did not always solicit and review three bids prior to purchase. City personnel did not solicit bids for 6 of 27 disbursements reviewed including health insurance (\$33,085), fuel (\$13,100), vehicle repairs (\$5,027), propane (\$2,360), basketball court sealant (\$643), and Easter eggs (\$630). Also, personnel only solicited two bids for purchases of fireworks (\$4,999) and volleyball equipment (\$1,404). City Code Section 135.140 requires the city to solicit three competitive bids for purchases of supplies and services over \$500.



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- The city did not require the Park Board President to abstain from evaluating the bid of a family member and did not document an explanation when the lowest bid was not accepted. The Park Board received bids of \$60,593, \$70,455, and \$80,197 for construction of a walking trail. The vendor who bid \$70,455 is owned by a family member of the Park Board President. This relationship was not disclosed in the Park Board minutes and the minutes did not document the Park Board President abstained from the evaluation process. The Park Board recommended the city award the contract to this vendor and the Park Board President presented all 3 bids to the Board along with the recommendation. The Board accepted the Park Board's recommendation and contracted with the vendor without documenting its review of the apparent conflict. According to the Board President, both the apparent conflict and the explanation for not selecting the lowest walking trail bid were discussed in detail during the meeting; however, this discussion was not documented in the meeting minutes. The Board also did not document a detailed explanation for not selecting the lowest of 6 bids received in November 2014 for utility software (\$25,156). The city received bids of \$1,605, \$9,688, \$11,345, \$19,550, \$25,156, and \$25,540 for the software. City Code Section 135.120 requires all bids be accepted by the Board and a detailed explanation to support the accepted bid if it is not the lowest bid.
- The city did not enter into a written contract for the purchase of patrol vehicle cameras (\$8,945) or with the municipal judge (\$6,150). City Code Section 135.080 requires a written contract for supplies and services over the amount of \$5,000.

In addition to being required by city code, the routine use of a competitive procurement process for major purchases ensures the city has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in city business. Business relationships that impair independence of those in a position to influence the use of city funds reduce the effectiveness of controls and decision making and harm public confidence. Clear and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities, and prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions be in writing.

8.3 Professional services

Professional services are obtained without benefit of a competitive selection process. While the City Code requires bids for purchases of goods and services over \$500 and contracts for purchases of goods and services over \$5,000, the code does not distinguish the handling of professional services from other services. Professional services retained during the year ended June 30, 2015, without the benefit of competitive selection included property and liability insurance brokerage services (\$23,611), attorney



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services (\$13,438), and sewer plan supervision services (\$11,365). In addition, the city did not competitively solicit banking services.

Periodically soliciting proposals for professional services helps ensure all parties are given an equal opportunity to participate in city business, helps provide a range of possible choices, and allows the Board to make better-informed decisions to ensure necessary services are obtained from the best qualified provider, taking expertise, experience, and/or cost into consideration.

8.4 Supporting documentation and timely disbursement

The city did not obtain adequate documentation to support some disbursements, and some disbursements were not paid timely. During the year ended June 30, 2015, the city paid an engineer \$140,868 for a water project and a contractor \$65,470 for a road project without detailed invoices to support charges. Invoices paid did not include hours of service to allow the city to recalculate the invoice and ensure the amount charged was accurate. In addition, receipts for some fuel purchases were not retained, and some travel expense documentation did not include sufficient detail. Also, the former City Clerk paid some invoices several months late. To ensure obligations are actually incurred and amounts paid are proper, all disbursements should be supported by paid receipts, itemized vendor invoices or other detailed documentation, and procedures should be in place to ensure bills are paid timely.

8.5 Trash

Disbursements to the city's trash collection service vendor did not comply with contract requirements, resulting in a potential liability of \$7,647. On March 28, 2012, the city contracted with a trash collection service vendor to provide services to city residents for 3 years. City officials renewed this contract on April 1, 2015, for another 5 years. Both contracts state the vendor will provide the city with a bill and the city shall pay the bill within 10 days, or shall be subject to late fees. However, the city does not pay the billed amount. Instead, city officials complete a worksheet to determine the amount they will pay based upon the number of accounts with trash collections for the month according to the utility system. This amount was always less than the amount billed, and review of the invoices shows an account balance would be held for several months and then written off by the vendor. During the year ended June 30, 2015, the city was billed \$82,414, but only paid \$74,767, resulting in a potential \$7,647 liability. Ensuring contract compliance helps ensure unnecessary liabilities are avoided.

Recommendations

The Board of Aldermen:

- 8.1 Segregate accounting duties or ensure documented supervisory or independent reviews of the disbursement records are performed. In addition, the Board of Aldermen should develop procedures to



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ensure the lists of bills and allocations provided for approval are accurate, including a comparison of actual expenditures to lists approved, and transfers are completed timely. The Board of Aldermen should also ensure all invoices are initialed or signed by an employee to indicate acceptance of goods or services and approval of invoiced amounts.

- 8.2 Solicit bids, enter into written contracts, and when applicable, document explanations for not selecting the lowest bidder as required by City Code. The Board of Aldermen should also ensure appointed and elected officials avoid participation in the decisions that could result in the appearance of or actual conflicts of interest.
- 8.3 Solicit proposals for professional services and consider establishing a policy to address the procurement of professional services.
- 8.4 Obtain adequate supporting documentation for all disbursements and implement procedures to ensure bills are paid timely.
- 8.5 Ensure contracts are monitored and payments made in accordance with contract terms.

Auditee's Response

- 8.1 *Due to the limited number of city employees available to complete these tasks, the Board will apply additional oversight to the disbursement process to ensure all transactions are appropriate. The City Clerk will review available disbursement reports, including a report of bills payable, allocations, and transfers. This report will be included in the Board's packets prepared for regular session meetings, and will be reviewed and approved by the Board with other financial information. Also in the future, the City Clerk will require approval of all invoices by the department head and Mayor prior to payment.*
- 8.2 *We plan to review the current ordinances and update the information to best fit the needs of the city. We will ensure compliance with our current and future ordinances. We will enter into written contracts when required and will document why the lowest bidder is not selected. With regards to the reported conflict of interest, we do not believe a conflict existed between the Park Board President and the vendor. We will take steps to ensure any future actual or appearance of conflict is properly handled.*
- 8.3 *We will consider implementing separate procedures for professional services when we review the other purchasing ordinances of the city and, in the future, we will solicit proposals for professional services.*



City of Sparta
Management Advisory Report - State Auditor's Findings

- 8.4 *The new City Clerk requires adequate supporting documentation before payment of any invoice and ensures all invoices are paid timely.*
- 8.5 *We have worked with the vendor to develop a new procedure to determine the amount to be paid to this vendor. Under these new procedures, the city bills the customer as always and then pays the vendor the amount billed, less the amount of administrative fee charged. The Board will ensure future contracts are accurate and properly monitored.*

9. Electronic Data Security

Controls over city computer systems are not sufficient. As a result, city records are not adequately protected and are susceptible to unauthorized access or loss of data.

9.1 User identifications and passwords

Various city personnel and a contracted CPA share the user identification and password for administrative access to the accounting system. The password is not required to be changed on a regular basis.

While a user identification and password are required to authenticate access, the security of these logon credentials is dependent upon keeping them confidential. Allowing certain users to share administrative logon credentials increases the risk of unauthorized access and/or changes to the system and records and does not provide assurance access is limited to only those individuals who need access to perform their job responsibilities. User identifications should be unique to each person and passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

9.2 Security controls

Security controls are not in place to lock computers after a specified number of failed logon attempts or after a certain period of inactivity. Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to reduce the risk of unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to systems and the unauthorized use, modification, or destruction of data.

9.3 Contingency plan and backup data

The city has not developed a formal, written contingency plan for resuming normal business operations and recovering computer systems and data in the event of a disaster or other extraordinary situations. In addition, the city does not regularly back up data or periodically test backup data to ensure essential data can be restored, and does not always store backup data at a secure off-site location.



City of Sparta
Management Advisory Report - State Auditor's Findings

A formal, written contingency plan should be prepared, and periodically tested and updated as needed to address actions for restoring computer systems should a disaster or other extraordinary situation occur. In addition, completing regular data backups and periodically testing the backup data helps ensure current data is available to be restored and is complete and reliable. Storing backup data in a secure off-site location provides increased assurance city electronic records could be restored if necessary.

Recommendations

The Board of Aldermen:

- 9.1 Require unique user identifications, restrict administrative access to the accounting system to necessary employees based on job functions, and require passwords remain confidential and be changed periodically.
- 9.2 Implement security controls to lock computers after a specified number of incorrect logon attempts or after a certain period of inactivity.
- 9.3 Develop a formal, written contingency plan that is periodically tested, evaluated, and updated as needed. The Board of Aldermen should also require data to be backed up regularly, tested on a periodic basis, and stored in a secure off-site location.

Auditee's Response

- 9.1 *With the ongoing implementation of new software and hardware and hiring of new employees, prior issues with administrative access have been resolved, all employees have been assigned separate user identifications, and confidential passwords are changed periodically.*
- 9.2 *With the ongoing implementation of the new software and hardware, all computers lock after a specified number of logon attempts or after a certain period of inactivity.*
- 9.3 *The city will work to develop a disaster recovery plan and will work to ensure backups are completed regularly and are stored off-site, once the new utility and hardware systems are completely implemented.*

10. Ordinances and Sunshine Law

Improvement is needed in ordinances and public record requests.

10.1 Ordinances

City ordinances are not complete or organized. While ordinances appear to have been codified in 2005, the ordinances passed since are not maintained in a centralized location and there is no up-to-date official ordinance book.



City of Sparta Management Advisory Report - State Auditor's Findings

The index of all ordinances passed and rescinded by the city is also not up to date.

Because ordinances passed by the Board to govern the city and its residents have the force and effect of law, it is important ordinances be current, complete, and organized. The lack of an ordinance index makes it more difficult for the city to determine which ordinances are active or have been rescinded.

10.2 Records policy and requests

The Board has not adopted a formal policy regarding public access to city records. A formal policy would establish guidelines for the city to make requested records available to the public and ensure any records requests are handled consistently and in compliance with state law. At a minimum, such a policy should identify a person to contact, provide an address to mail such requests, and establish fees that may be assessed for providing copies of public records. In addition, while we did not identify specific concerns with the tracking of Sunshine Law requests, the city does not maintain a log of public records requests to ensure all requests are handled in compliance with the Sunshine Law.

Section 610.023, RSMo, lists requirements of making records available to the public, and Section 610.026, RSMo, allows the city to charge fees for providing access to and/or copies of public records and provides requirements related to fees. Section 610.028, RSMo, requires a written policy regarding release of information under the Sunshine Law. To ensure compliance with state law, the district should document sufficient information in a log to determine if requests are adequately and timely completed. Necessary information includes, but is not limited to, the date of request, a brief description of the request, the date the request is completed or why the request cannot be completed and any associated cost.

Recommendations

The Board of Aldermen:

- 10.1 Ensure city ordinances are maintained in a complete, well-organized, and up-to-date manner; new ordinances are passed when appropriate; and an index of all ordinances passed and rescinded is established.
- 10.2 Develop written policies regarding access public access to city records and establish a public request log.

Auditee's Response

- 10.1 *The city completed a new codification in late 2015, and the new City Clerk maintains an indexing system for all new ordinances passed and rescinded.*
- 10.2 *The Board will work on adopting a formal policy regarding Sunshine Law requests and the new City Clerk will develop a*



City of Sparta
Management Advisory Report - State Auditor's Findings

tracking system to account for all requests received and all city responses.

City of Sparta

Organization and Statistical Information

Mayor and Board of Aldermen

The City of Sparta is located in Christian County. The city was incorporated in 1885 and is currently a fourth-class city. City operations include utility services (water, sewer, and trash), police, maintenance of streets, and the city park. The city employed 4 full-time employees and 2 temporary part-time employees on June 30, 2015.

The city government consists of a mayor and 4-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen at June 30, 2015, are identified below. The Mayor is paid \$300 per month and the Board of Aldermen members are paid \$600 per year. The compensation of these officials is established by ordinance.

Michael Younker, Mayor
Joseph Valade, Alderman
Jarrett Iorg, Alderman
Jason Stephens, Alderman
Stephen Otten, Alderman

Other Principal Officials

The City Treasurer; City Attorney; Chief of Police; Water, Street and Sewer Superintendent; and Deputy City Clerk are appointed positions. The City Clerk is elected by the Board at the first meeting following the mayoral election. The city experienced significant turnover prior to and during the audit. The city's principal officials at June 30, 2015, are identified below:

Vacant, City Treasurer (1)
Harry Styron, City Attorney
Lyndle Spencer, Chief of Police (2)
Richard Roland, Water, Street and Sewer Superintendent
Vacant, City Clerk (3)
Vacant, Deputy City Clerk (4)

(1) The city has not historically appointed a City Treasurer.

(2) Lyndle Spencer was appointed Director of Operations in April 2015 and Chief of Police in June 2015. He served in this position until August 2015. Police Sergeant Andrew Spencer served as Chief of Police from August 2015 until December 2015. The Chief of Police position remained vacant until April 2016, when Trampus Taylor was appointed. The city no longer has a Director of Operations.

(3) Lana Wilson served as City Clerk from June 2013 until June 2015. A temporary part-time clerk was hired until a full-time replacement could be located. Sharon Mickey was appointed City Clerk in July 2015.

(4) Kamera Anderson served as Deputy City Clerk and Court Clerk from May 2012 until June 2015.

Financial Activity

A summary of the city's financial activity for the year ended June 30, 2015, (obtained from the City of Sparta Independent Auditor's Report) and a summary of the city's established funds and bank accounts for the years ended June 30, 2016, and 2015, (obtained from city financial records) follows:

CITY OF SPARTA, MISSOURI
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
(MODIFIED CASH BASIS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Police Fund	Park Fund	Street Fund	Total Governmental Funds
REVENUES:					
Taxes:					
Property taxes	\$ 60,810	\$ -	\$ -	\$ -	\$ 60,810
Franchise taxes	56,002	-	-	-	56,002
Sales taxes	-	127,511	54,872	17,518	199,901
Financial institutional tax	1,176	-	-	-	1,176
Intergovernmental revenues:					
Missouri motor fuel taxes	-	6,800	-	61,204	68,004
Christian County	-	-	-	40,152	40,152
Licenses & permits	3,006	-	-	-	3,006
Fines & forfeitures	12,985	56,449	-	-	69,434
Activities	-	-	2,019	-	2,019
Rental income	15,715	-	775	-	16,490
Interest	91	3	27	86	207
Grants	-	1,500	-	-	1,500
Miscellaneous	77	992	1,343	9,813	12,225
Total Revenues	<u>149,862</u>	<u>193,255</u>	<u>59,036</u>	<u>128,773</u>	<u>530,926</u>
EXPENDITURES					
Current:					
General government	112,082	-	-	-	112,082
Police	-	211,295	-	-	211,295
Court	21,532	-	-	-	21,532
Street	-	-	-	31,635	31,635
Park	-	-	17,088	-	17,088
Capital outlay	-	8,945	71,620	29,355	109,920
Total Expenditures	<u>133,614</u>	<u>220,240</u>	<u>88,708</u>	<u>60,990</u>	<u>503,552</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	16,248	(26,985)	(29,672)	67,783	27,374
OTHER SOURCES AND (USES)					
Transfer (out)	-	-	-	(8,938)	(8,938)
Transfer in	8,938	-	-	-	8,938
NET CHANGE IN FUND BALANCE	25,186	(26,985)	(29,672)	58,845	27,374
FUND BALANCES - BEGINNING (DEFICIT)	103,133	(173,104)	35,117	10,278	(24,576)
FUND BALANCES - ENDING (DEFICIT)	<u>\$ 128,319</u>	<u>\$ (200,089)</u>	<u>\$ 5,445</u>	<u>\$ 69,123</u>	<u>\$ 2,798</u>

CITY OF SPARTA, MISSOURI
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
(MODIFIED CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Waterworks</u>	<u>Sewer</u>	<u>Refuse Fund</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for services	\$ 310,646	\$ 235,359	\$ 89,052	\$ 635,057
Miscellaneous	169	7	-	176
Total Revenue	<u>310,815</u>	<u>235,366</u>	<u>89,052</u>	<u>635,233</u>
OPERATING EXPENSES:				
Wages, taxes and benefits	54,243	61,580	-	115,823
Insurance	19,377	11,554	-	30,931
Contractual services	11,121	21,279	75,450	107,850
Repairs and maintenance	7,581	30,805	-	38,386
Utilities	30,200	42,676	-	72,876
Depreciation	12,494	163,798	-	176,292
Total Operating Expenses	<u>135,016</u>	<u>331,692</u>	<u>75,450</u>	<u>542,158</u>
NET OPERATING INCOME (LOSS)	<u>175,799</u>	<u>(96,326)</u>	<u>13,602</u>	<u>93,075</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	103	50	30	183
Grants	126,781	-	-	126,781
Interest expense	-	(65,967)	-	(65,967)
Total Non-Operating Revenues (Expenses)	<u>126,884</u>	<u>(65,917)</u>	<u>30</u>	<u>60,997</u>
CHANGE IN NET POSITION	302,683	(162,243)	13,632	154,072
NET POSITION, BEGINNING-(RESTATED)	<u>396,314</u>	<u>2,250,778</u>	<u>3,854</u>	<u>2,650,946</u>
NET POSITION, ENDING	<u>\$ 698,997</u>	<u>\$ 2,088,535</u>	<u>\$ 17,486</u>	<u>\$ 2,805,018</u>

Appendix C

City of Sparta

Established Funds and Bank Accounts

	Governmental Funds											Proprietary Funds									
Financial Statement Audit Report year ended June 30, 2015	Park Fund		Police Fund		General Fund					Street Fund		Refuse Fund	Water Fund				Sewer Fund				
Accounting System	Park Fund	Park Donation Fund	Police Fund	Police Grant Fund	General Fund		Court Fund			Street Fund		Trash Fund	Water Fund				Sewer Fund				
Bank Accounts	Park Checking	Park Donation Checking	Police Checking	Police Grant Checking	General Checking	CD	Court Checking	Bond Checking	JEF Checking	Street Checking	CD	Trash Checking	Water Checking	Project Debt Checking	Project Grant Checking	CD	Sewer Checking	Bond Reserve Checking	Rep. & Ext. Checking	Project Checking	
Funds budgeted for year ended June 30, 2015	Park Fund		General Fund											Water/Sewer Fund							
Funds budgeted for year ended June 30, 2016	Park Fund		Police Fund		General Fund							Water Fund				Sewer Fund					



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of St. Louis
Recorder of Deeds and Vital Records Registrar

City of St. Louis Recorder of Deeds and Vital Records Registrar

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Jeremiah W. (Jay) Nixon, Governor
and
Honorable Sharon Quigley Carpenter, Recorder of Deeds and Vital Records Registrar
City of St. Louis, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-004, *City of St. Louis Recorder of Deeds and Vital Records Registrar* (rated as Poor), issued in January 2016, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the Governor and the Recorder about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the Recorder, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we held discussions with the Recorder's Office staff and other city personnel, reviewed supporting documentation provided by the Recorder's Office and the City of St. Louis Comptroller's Office, and held a meeting with the Recorder and several of her staff. This report is a summary of the results of this follow-up work, which was substantially completed by August 2016.

Nicole R. Galloway, CPA
State Auditor

City of St. Louis Recorder of Deeds and Vital Records Registrar

Follow-Up Report on Audit Findings

Status of Findings

1. Construction Contracts Construction contract procurement and construction project policies and procedures needed improvement. The City of St. Louis Recorder of Deeds and Vital Records Registrar (Recorder) had not ensured required competitive procurement procedures were followed during the development of several construction contracts and the contracts were awarded to related party vendors. In addition, the Recorder allowed excessive change orders on one project.
- 1.1 Contracts for renovation services Recorder Carpenter's Office authorized contracts for several construction projects although the Recorder was aware that each contract was issued to a company that either employed or was owned by the former Deputy Recorder's son. The former Deputy Recorder's conflict of interest, along with her level of responsibility for and involvement in the projects were not consistent with good management practices. Recorder Carpenter's Office did not properly solicit bids for a renovation project. Although two bids were received for the project, advertising for bids was not conducted as required by state law. Recorder Carpenter accepted the low bid submitted by the former Deputy Recorder's son.

Recommendation

Properly bid all contracts and services in accordance with state law. In addition, refrain from entering into business transactions with related parties unless the transactions are bid in compliance with state law and the procurement process is conducted by an individual or entity not under the supervision of the Recorder's Office. Bids should be critically reviewed to ensure fair and open competition is achieved.

Status

Implemented

The Recorder implemented a Renovation/Construction Policy, dated August 5, 2015, and a Procurement Policy, dated April 19, 2016. The policies address bidding requirements including advertising and selection of the vendor. These policies, if properly followed, should ensure proper procurement practices and should allow for fair and open competition. The Recorder started 3 renovation projects in late 2014 or early 2015 that were in construction during the year ended June 30, 2016. The Recorder's staff indicate the projects have been fully supervised by the city's Board of Public Service (BPS) and the BPS obtained bids as needed on the projects. We met with the President of the BPS who indicated the Recorder's Office has complied with BPS policies and procedures and the BPS has no concerns with procurement practices on the recent projects. In addition, we reviewed selected expenditures dated between February and May 2016, including 3 expenditures that required bidding. All 3 expenditures were bid and advertising was conducted when required. The BPS handled the bidding process for one of these items and purchase of another item came through a state contract.



City of St. Louis Recorder of Deeds and Vital Records Registrar
Follow-up Report on Audit Findings
Status of Findings

1.2 Change orders

The former Deputy Recorder and the BPS authorized change orders that increased a 2013 renovation project cost by a substantial amount. The change orders significantly expanded the scope of the project and significantly modified the original design. It appeared the original design was not adequate to ensure the project addressed all work needed or desired by the Recorder.

Recommendation

Ensure the scope of contracted services is properly developed before accepting bids or awarding contracts and give consideration to conducting bidding for separate project services when substantial project changes are needed.

Status

Implemented

The Recorder implemented a Renovation/Construction Policy, dated August 5, 2015, that addresses construction project planning and monitoring. The policy, if followed, should ensure proper development of each project's scope by the Recorder's Office, in cooperation with BPS staff, and should minimize the occurrence of change orders. The Recorder started 3 renovation projects in late 2014 or early 2015 that were in construction during the year ended June 30, 2016. The Recorder's staff indicate the projects have been fully supervised by the city's BPS and they are not aware of any substantial change orders for these projects. We met with the President of the BPS, who indicated the Recorder's Office has complied with BPS policies and procedures and the BPS had no concerns with the design scope or change orders associated with the projects.

2. Nepotism

Recorder Carpenter, hired her great nephew to work as a temporary contractor. Between June 2010 and January 2012, Recorder Carpenter paid her great nephew \$12,255 to perform document archival services.

Effective July 14, 2014, Recorder Carpenter resigned from office as required by the Missouri Constitution after the nepotism concerns were raised and made public. Recorder Carpenter indicated she misinterpreted the legal requirements related to hiring relatives when she hired her great nephew.

Recommendation

The Recorder consult legal counsel regarding matters of legal interpretation and ensure compliance with the Missouri Constitution related to hiring relatives.

Status

Implemented

The Recorder and her staff indicated there are no employees in the Recorder's Office who are related to Recorder Carpenter. The Recorder sought legal counsel from the City Attorney's Office regarding the nepotism



City of St. Louis Recorder of Deeds and Vital Records Registrar
Follow-up Report on Audit Findings
Status of Findings

concern prior to her resignation and additional need for legal counsel on this matter has not been necessary.

3. Records Preservation
Account Compliance

The Recorder's Office had not complied with numerous legal requirements related to the Records Preservation Account.

3.1 Restricted revenues

The Recorder had not established adequate procedures to ensure expenditure of restricted monies occurred for only statutorily allowed purposes. The Recorder's Office commingled fees assessed for record storage, microfilming, and preservation, and for technology in a ledger with other monies collected rather than accounting for this money in separate funds. Adequate accounting records were not maintained to ensure the sources and uses of funds were accounted for separately and; therefore, there was little assurance each source had been properly spent for its specifically allowable purpose.

Recommendation

Establish separate funds or a separate accounting of the Records Preservation Account monies.

Status

In Progress

The Recorder began allocating deposits on October 13, 2015, between Records Preservation, Technology, and Miscellaneous Funds. The October 12, 2015, cash balance of \$339,389 was applied to the Miscellaneous Fund and was not allocated to the Preservation or Technology Funds. The Recorder also has not started allocating expenditures between the funds. All expenditures since October 12, 2015, have been paid out of the Miscellaneous Fund and the Recorder's staff indicated they will begin allocating expenditures when the Miscellaneous Fund is depleted.

3.2 Unallowable
expenditures

Some expenditures authorized from the Records Preservation Account were clearly not in compliance with state law and others were authorized without sufficient documentation to determine compliance. The Recorder had not obtained legal opinions related to allowable expenditures of the monies maintained in the Records Preservation Account.

Recorder Carpenter authorized expenditures totaling \$3,761 between August 2009 and June 2015, that were not allowable uses of the Records Preservation Account. Recorder Carpenter also authorized travel and conference expenditures totaling \$7,393 during the 2 fiscal years ended June 30, 2015, without sufficient documentation to show compliance.

In addition, Recorder Carpenter authorized construction expenditures that were only partially statutorily compliant or were not sufficiently documented to demonstrate compliance. Some construction expenses, such



City of St. Louis Recorder of Deeds and Vital Records Registrar
Follow-up Report on Audit Findings
Status of Findings

as new flooring and painting, seemed to be general upgrades to the office unrelated to technology or storage and archival of records.

Recommendation

Expend the Records Preservation Account monies in accordance with state law.

Status

In Progress

The Recorder's staff indicated the Recorder has requested funding through the City of St. Louis for legal counsel to obtain a legal opinion regarding allowable expenditures from the Records Preservation Account but the request was not approved. The Recorder indicated she also inquired about an opinion being issued by legal counsel at a district-level meeting of the Records' Association of Missouri (the Association) on June 9, 2016. The Recorder has no documentation of this conversation and there has not been a formal request or other written communication regarding the question of a legal opinion by the Association.

We reviewed selected expenditures dated between February and May 2016. Most of the test items seemed to be statutorily compliant; however, the expenditure documentation did not include indications of which allowable purpose the expenditure related to. It was not clear how some purchases, including several construction expenditures complied with statutory requirements until we asked the Recorder's staff about them and received additional information.

3.3 Annual budgets

The Recorder's Office had not prepared budgets for the Records Preservation Account for the fiscal years ended June 30, 2015, and June 30, 2014. Recorder Carpenter indicated that the account had not been budgeted through the city's Board of Estimate and Apportionment because doing so would reduce the Recorder's General Fund appropriation from the city and result in the office paying for items from the Records Preservation Account that are now paid from the General Fund. However, Recorder Carpenter had also not developed an internal working budget.

Recommendation

Ensure an annual budget is prepared for the Records Preservation Account.

Status

In Progress

The Recorder's Office is in the process of implementing this recommendation and the staff indicated they intend to fully comply with statutory requirements as prior year budget data becomes available. We reviewed a fiscal year 2017 budget the Recorder's Office prepared for the Records Preservation Account. The budget reflects the July 1, 2016, beginning cash balance of each source of revenue/fund and the bank account as a whole, projected total receipts, and projected expenditures by object.



City of St. Louis Recorder of Deeds and Vital Records Registrar
Follow-up Report on Audit Findings
Status of Findings

Additional details are needed to ensure the budget reflects receipt or disbursement activity and available cash balances of each revenue source/fund (Records Preservation, Technology, and Miscellaneous). Those details include allocation of estimated revenue by source/fund, allocation of estimated expenditures by source/fund, and estimated ending cash balance of each fund. Also, comparative budget and actual information from prior years is required by law.

3.4 Procurements and bidding

The Recorder's written procurement policy had not ensured compliance with state law. The policy established bidding requirements for document archival or technology purposes; but did not include advertising requirements or bid requirements for general purpose purchases. As a result, some purchases were not bid or advertised in compliance with state law. In addition to bidding concerns addressed elsewhere in our report, we identified other purchases totaling \$31,500 that the Recorder had not properly bid or advertised.

Recommendation

Develop and adhere to a procurement policy that properly reflects statutory requirements and addresses all procurement aspects of contracts and purchasing.

Status

Implemented

The Recorder implemented a Renovation/Construction Policy, dated August 5, 2015, and a Procurement Policy, dated April 19, 2016. These policies address compliance with statutory requirements related to procurement and define specific procedures for completing purchases. We reviewed 15 expenditures dated between February and May 2016. The Recorder's staff or BPS staff bid 7 of the expenditures or obtained price quotes as required by either state law or the Recorder's current policy, and 2 purchases were made from state contracts. The other 6 expenditures did not require obtaining bids or price quotes.

3.5 IRS reporting

The Recorder had not ensured payments to individuals were properly reported to the Internal Revenue Service (IRS) when required. Payments to one individual during 2014 totaling \$5,946 were not reported to the IRS on a 1099-MISC form as required.

Recommendation

Ensure 1099-MISC forms are issued when required.

Status

Implemented

In May 2015, the Recorder began making payments to the contracted employees through the City of St. Louis Comptroller's Office. The Recorder reimburses the city from the Records Preservation Account for the payroll expense and the Comptroller's Office is responsible for issuing applicable



City of St. Louis Recorder of Deeds and Vital Records Registrar
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W-2 or 1099 forms. The Recorder's staff were not aware of any additional vendor payments that would require issuance of a 1099 form. We contacted a representative of the Comptroller's Office and confirmed that Recorder's Office contracted employees are now paid through the Comptroller's Office and the W-2 or 1099 forms are issued by the Comptroller when necessary. The Recorder's staff have contacted the city's personnel section to determine how the 2014 earnings should be reported.

4. Receipt Controls

We identified several weaknesses in the receipting controls and procedures in the Recorder's Office.

4.1 Timely transmittals

Cash, check, and money orders received were not transmitted to the City Treasurer timely. During the fiscal year ended June 30, 2015, daily transmittals averaged approximately \$13,800; however, the monies were transmitted 3 days after receipt to accommodate settlement of credit card transactions. Receipts were balanced to revenue reports on a daily basis and then held in the cashier's safe until transmitted to the city.

Recommendation

Transmit cash, check, and money order receipts to the city, separate from the credit card collections, each day as they are received.

Status

Implemented

The Recorder's staff indicated they began transmitting cash and check receipts each morning on the day following collection as of July 21, 2015. We reviewed the Friday, July 22, 2016, collections, which agreed to the Monday, July 25, 2016, transmittal to the City Treasurer. Beginning in May 2015, the Recorder's staff began retaining credit card settlements in the Credit Card Clearing bank account until the end of the month. After all monthly charge payments have settled, the monthly collected total is remitted to the City Treasurer by check. We reviewed credit card collections and distributions to the City Treasurer for the months of March and June 2016 and noted no problems.

4.2 Mail receipts

The Recorder's Office controls over mail receipts did not segregate receiving and processing functions, and independent reviews were not performed. The front office staff prepared a mail log for the Land Department, but the Archives, Vital Records, and Marriage departments prepared their own mail logs. In addition, although copies of the customer receipts were retained by the cashier, copies of the receipts were not attached to the logs by the departments nor were the receipt transaction numbers recorded on the logs. As a result, there was less ability to verify the proper disposition of the receipts.

Recommendation

Require an independent person prepare an initial record of monies received in the mail. Record receipt transaction numbers on the log or attach



City of St. Louis Recorder of Deeds and Vital Records Registrar
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duplicate copies of customer receipts to the log. Require periodic, independent reviews of the mail logs and disposition of receipts received in the mail.

Status

Implemented

Monies received in the mail are recorded on logs for each department by front office staff who are independent of the departments. The logs, documents to be recorded, and payments received are then forwarded to the appropriate department. After the mail has been processed, the logs, original documents with associated receipt slips, and rejected documents with the original payment are returned to the front office staff. The front office staff review the logs and returned documentation to ensure a receipt slip or the original payment is attached to each original document. The front office staff record the receipt numbers or amount of payment rejected on the log. We reviewed mail logs for the Land, Archives, Vital Records, and Marriage departments prepared during the week of May 16 through May 20, 2016. Our review indicated the office implemented these procedures.

4.3 Voided transactions

Voided system transactions did not require supervisory approval, were not periodically reviewed by an independent person or supervisor, and were not adequately documented. Documentation of the reasons for voiding transactions was inconsistent, and voided monetary transactions were not referenced to replacement transaction numbers when possible.

Recommendation

Ensure adequate documentation is maintained to support all voided transactions and ensure an independent review and approval of these transactions is performed and documented.

Status

Implemented

Officials from the Recorder's Office indicated a standard voided transaction report was developed by the software vendor. The Deputy Recorder documents her reviews of the daily, weekly, and monthly reports printed by the cashier's office. Reasons for voiding monetary transactions are documented in the system including references to the replacement transactions, if applicable. Copies of the voided and replacement receipt slips are printed and filed with the voided transaction reports. We reviewed copies of voided reports printed from the Recorder's system for March 2016 and observed notations explaining why the transactions were voided and indications of review by the Deputy Recorder.

5. Bank Account Controls Controls and procedures related to the Recorder's Records Preservation and Credit Card Clearing bank accounts needed improvement.



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**5.1 Records Preservation
Account bank
reconciliations**

Complete and accurate bank reconciliations were not prepared for the Records Preservation Account and adequate supervisory reviews of the reconciliations were not performed.

Recommendation

Ensure supervisory reviews of the Records Preservation Account bank reconciliations, accounting records, and bank records are performed and documented.

Status

Implemented

The Deputy Recorder now performs and documents reviews of the bank statements and bank reconciliations. We reviewed bank reconciliations for the Records Preservation Account from November 2015 and May 2016 and observed indications of the Deputy Recorder's review.

**5.2 Records Preservation
Account expenditure
controls**

The Recorder's expenditure policy was incomplete. The policy did not contain instructions for numerous basic procedures including requirements for: procurement of general purchases unrelated to technology or archival supplies, advertisement for bids, documentation of bidding and price quoting, supporting invoices, supervisory approval, and indication of receipt of items purchased. Lack of complete policies contributed to incomplete documentation of the office's procurements including information necessary to ensure all payments represent valid and appropriate purchases.

Recommendation

Improve expenditure policies, controls, and procedures of the Records Preservation Account, including required documentation, supervisory approval, and indication of receipt of goods to ensure all payments made represent valid and appropriate purchases.

Status

Partially Implemented

The Recorder implemented a Procurement Policy, dated April 19, 2016, that is applicable to all expenditures. The policy includes requirements for purchase approvals, price quotes, bids, use of other governments' contracts, advertisement of purchases, bid evaluations, vendor selections, and single source purchases. The policy also states that original paperwork for all purchases will be retained but does not detail requirements for some atypical expenditures such as travel and meeting or conference costs. The policy does not require documentation of the receipt of goods or services.

We reviewed 15 expenditures dated between February and May 2016. Procedures for retaining original documentation of purchase invoices and supplying approvals appeared to be improved. The purchases we reviewed complied with policy requirements for supporting documentation, bidding, and advertising. A supervisor approved most purchases; however, we



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identified 2 expenditures without supervisory approval. In addition, our review indicated receipt of goods or services is seldom documented by the Recorder's staff.

5.3 Credit Card Clearing Account balance

The Credit Card Clearing Account balance was not adequately monitored and exceeded current needs. As of June 30, 2015, the account had a cash balance of approximately \$20,000. No summary records were maintained to track the balance due to the city or ensure the remaining cash balance agreed to the accumulated total of the customer convenience fees less banking fees and administrative expenses.

Recommendation

Prepare a monthly list of the Credit Card Clearing Account liabilities including undistributed customer convenience fees and compare to the reconciled bank balances. Any differences should be promptly investigated and resolved. In addition, the cash balance in excess of current needs should be transmitted to the City Treasurer.

Status

Implemented

The Recorder established a Credit Card Residual Funds Disposition Policy in July 2015. We reviewed the residual balance transfers performed by the Recorder's staff in July 2015 and July 2016. Although the staff did not calculate the transfer amounts as specified in the policy, establishment of the policy and completion of the transfers demonstrate the Recorder's intent to fully implement the recommendation. Because all credit card collections are remitted to the city monthly, the only monies remaining in the account are credit card convenience fees.

6. Escrow Liability

The Recorder's records of monies held in escrow were not reconciled to the city's general ledger records or balances and, as a result, errors and other unidentified differences remained undetected. Deposits and uses by participating customers totaled approximately \$1.9 million during the year ended June 30, 2015, and approximately \$1.8 million during the year ended June 30, 2014. The city's liability balance exceeded the Recorder's liability balance by approximately \$38,000.

Recommendation

The Recorder reconcile escrow account balances to the city's liability account monthly. Any differences should be investigated and resolved.

Status

In Progress

We reviewed reconciliation documentation prepared by the Recorder's staff for April and May 2016 and scanned records of reconciliations for other months. Our review identified as of August 2016, the Recorder's staff had completed monthly reconciliations through May 2016, and the unreconciled balance totaled \$65,725. The staff continued to work on subsequent



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reconciliations with a goal of determining the unidentified balance held in the city's general ledger. However, the unidentified balance has fluctuated each month. The Recorder's staff indicated they are still trying to resolve the differences and other reconciling items are occurring but they are not easily identifiable. As a result, the Recorder requested funding from the city to hire a consultant to work on the reconciliation with the office but the funding was not approved. The Recorder has also requested assistance from the Comptroller's internal audit staff but has not received that assistance. The Recorder's staff appears to be committed to continuing to work on the reconciliation until the unidentified amount becomes stable. At that time they indicated they will provide instructions to the City Comptroller regarding a transfer of the excess funds from the City's Title Fee Deposits Account.



Office of Missouri State Auditor
Nicole Galloway, CPA

Clark County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Clark County

Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties or ensured supervisory or independent reviews of accounting and bank records are performed. The Jail Administrator does not perform monthly bank reconciliations for the inmate and commissary bank accounts. In addition, a monthly list of liabilities is not prepared to reconcile to the inmate account balance. The Sheriff also has not turned over commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law, and the office does not have proper controls to ensure all civil paper service mileage fees are collected.
Payroll Procedures	Sheriff's office employees do not submit timesheets to the County Clerk's office timely. Additionally, when the timesheets are received by the County Clerk, the County Clerk does not ensure the hours recorded on the timesheets agree to the hours for which the employees were paid. The County Clerk also does not receive leave records from the Sheriff's office. Road and Bridge department employees earned the incorrect amount of sick leave after a personnel policy change.
County Procedures	Mileage and fuel logs are not maintained for the Road and Bridge department's 13 vehicles and 36 pieces of equipment. Additionally, neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector.
Electronic Data Security	The County Assessor has not established adequate password controls to reduce the risk of unauthorized access to computers and data. The deputy County Clerk's computer does not require a password. Security controls are not in place to lock computers in the County Clerk, County Assessor, County Collector, Prosecuting Attorney, or Public Administrator's offices after a specified number of incorrect logon attempts. Multiple offices also do not store backup files at an off-site location or perform periodic testing of the backup data.
Public Administrator's Bank Reconciliations	The Public Administrator did not prepare monthly bank reconciliations for bank accounts or maintain a running balance in the checkbook registers.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Clark County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Clark County

We have audited certain operations of Clark County in fulfillment of our duties under Section 29.230, RSMo. In addition, Lisa C. Wright, LLC, Certified Public Accountant, has been engaged to audit the financial statements of Clark County for the year ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

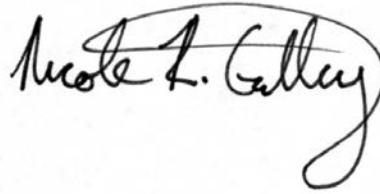
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Clark County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly distinguishable. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Christopher A. McClain
	Margie Freeman, CPA

Clark County

Management Advisory Report

State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures over the Sheriff's office need improvement. The office deposited approximately \$130,000 into the fee, inmate, and commissary bank accounts during the year ended December 31, 2015.

1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties or ensured supervisory or independent reviews of detailed accounting and bank records are performed. The Office Administrator is responsible for maintaining all the records for the fee account while the Jail Administrator is responsible for maintaining all the records for the inmate and commissary bank accounts.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits and disbursements to supporting documentation.

Similar conditions were noted in our prior 2 audit reports.

1.2 Bank reconciliations and liabilities

The Jail Administrator does not perform monthly bank reconciliations for the inmate and commissary bank accounts. In addition, a monthly list of liabilities is not prepared to reconcile to the inmate account balance. A list of liabilities was requested but office personnel could not provide it. As of December 31, 2015, the inmate and commissary account balances were \$4,787 and \$3,802, respectively.

Performing monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the reconciled cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities.

1.3 Commissary net proceeds

The Sheriff has not turned over commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. The Sheriff allows inmates to make commissary purchases through his office and retains the net proceeds on the sales in the commissary account. As of December 31, 2015, the inmate and commissary account balances had net proceeds of \$1,922 and \$3,802, respectively.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit



Clark County Management Advisory Report - State Auditor's Findings

of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer. In addition, Section 488.5026.3, RSMo, mandates how the funds shall be expended.

1.4 Civil paper service mileage fees

The Sheriff's office does not have proper controls to ensure all civil paper service mileage fees are collected. The Sheriff's office logs all civil papers to be served. However, office personnel estimated that 50 percent of the time mileage is not billed until after the papers are served. Office personnel do not perform a reconciliation of papers served to monies received for mileage.

A list of unpaid mileage fees would allow the Sheriff's office to more easily review current amounts due and to take appropriate steps to ensure collection of unpaid amounts.

Recommendations

The Sheriff:

- 1.1 Segregate accounting duties or ensure supervisory or independent reviews of detailed accounting and bank records are performed and documented.
- 1.2 Ensure monthly bank reconciliations are performed and lists of liabilities are prepared and reconciled to the cash balance monthly. Any differences between accounting records and reconciliations should be investigated and resolved.
- 1.3 Ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are transmitted to the County Treasurer for deposit in the Inmate Prisoner Detainee Security Fund.
- 1.4 Develop procedures to track, monitor, and pursue collection of civil paper service mileage fees.

Auditee's Response

- 1.1 *This has already been corrected.*
- 1.2 *This has already been corrected.*
- 1.3 *This will be corrected at the beginning of the year in coordination with the County Treasurer.*
- 1.4 *We make sure the civil service paper requests that come through our office get paid. The requests made through the courts we don't have control of.*



Clark County
Management Advisory Report - State Auditor's Findings

2. Payroll Procedures

We noted numerous problems with the county's payroll procedures. The county had payroll expenditures of approximately \$1,227,000 for the year ended December 31, 2015.

2.1 Timesheets

Sheriff's office employees do not submit timesheets to the County Clerk's office timely. The County pays all employees monthly; however, the Sheriff's office does not submit timesheets to the County Clerk until several months after the payroll has been prepared. When the timesheets are received by the County Clerk, the County Clerk does not ensure the hours recorded on the timesheets agree to the hours for which employees were paid. As a result, the county does not ensure employees received the proper pay.

Paying county employees without proper documentation of time worked and leave used may lead to errors, inconsistencies in leave balances, and the potential for employees to be over/under paid. If the county continues to pay employees before receiving the proper supporting documentation, the county should establish procedures to review the timesheets when they are received and fully document any applicable adjustments to employee pay or leave records for differences between the actual hours worked and the number of hours the employee received pay for.

2.2 Leave records

The County Clerk does not receive detailed employee leave records from the Sheriff's office. Only the amount of leave used is indicated on employee timesheets submitted by the Sheriff's office. In addition, the Road and Bridge department supervisor does not track his leave balances. As a result, the county lacks accurate centralized leave records for these employees and does not know their leave balances.

Without centralized records, the County Commission cannot ensure employee leave and compensatory time balances are accurate and in compliance with county policy. Centralized records also limit potential disputes over amounts owed when an employee stops working for the county, and help demonstrate compliance with the Fair Labor Standards Act.

2.3 Sick leave

Road and Bridge department employees earned the incorrect amount of sick leave after a policy change. Effective September 1, 2015, County Policy 307-Sick Leave Benefits, allows full-time employees to earn 3.5 hours to 5 hours a month in sick leave depending on their years of service. Road and Bridge department employees have continued to accumulate the 8 to 10 hours of sick leave a month as allowed prior to the policy change.

Allowing employees to earn and carry leave in excess of county policy may result in unnecessary costs to the county. To ensure employees are properly compensated, strict compliance with personnel policies is necessary, or



Clark County
Management Advisory Report - State Auditor's Findings

personnel policies should be updated to reflect the county's intended and actual practices.

Recommendations

The County Commission:

- 2.1 Require county employees to submit timesheets monthly and ensure amounts paid are based on the time documented on timesheets.
- 2.2 Ensure centralized leave and compensatory time records are maintained for all county employees.
- 2.3 Ensure compliance with current policies or revise policies as needed.

Auditee's Response

- 2.1 *We will remind county employees that County Policy 401-Timekeeping requires timesheets to be turned in by noon on the 26th of each month and are to be signed by the employee and their immediate supervisor to verify the accuracy of the timesheets.*
- 2.2 *The County Clerk now maintains centralized leave records for the Road and Bridge department supervisor. We will continue to work with the Sheriff to develop centralized leave records for Sheriff's office employees.*
- 2.3 *The Road and Bridge department employees are now earning sick leave in accordance with county policy.*

3. County Procedures

Controls and procedures over fuel usage and review of the County Collector's financial activities need improvement.

3.1 Fuel usage

Mileage and fuel logs are not maintained for the Road and Bridge department's 13 vehicles and 36 pieces of equipment. Accounting records indicate fuel purchases totaled approximately \$123,000 for the Road and Bridge department during the year ended December 31, 2015.

Mileage and fuel logs are necessary to document the appropriate use of vehicles and equipment and to support fuel purchases. Without sufficient and accurate information the county cannot evaluate the propriety and reasonableness of fuel pumped/used or reconcile amounts used to fuel billings. Failure to account for fuel purchases and fuel usage could result in loss, theft, or misuse going undetected.

3.2 Review of property taxes

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector who processed collections of approximately \$6.8 million during the year ended February 29, 2016. The County Clerk's account book only includes information on taxes charged



Clark County Management Advisory Report - State Auditor's Findings

and collected by the County Collector. The account book does not include other necessary information such as additions and abatements, protested amounts, payments made to the county and other political subdivisions. Neither the County Clerk nor the County Commission had documentation supporting any work performed to verify the accuracy and completeness of the County Collector's annual settlements.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

Recommendations

- 3.1 The County Commission require mileage and fuel logs be maintained for the Road and Bridge department vehicles and equipment and ensure the logs are reviewed for accuracy and reconciled to fuel purchases.
- 3.2 The County Clerk maintain a detailed account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

Auditee's Response

- 3.1 *Each vehicle and piece of equipment will have a fuel log. The logs will be periodically reconciled to fuel purchases.*
- 3.2 *The County Clerk will maintain a detailed account book, which will be periodically reconciled with the County Collector. The County Commission will use the account book to review the accuracy and completeness of the County Collector's annual settlement.*

4. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

4.1 Passwords

The County Assessor has not established adequate password controls to reduce the risk of unauthorized access to computers and data. County Assessor employees are not required to change passwords periodically to help ensure passwords remain known only to the assigned user. Also, the computer used by the deputy County Clerk does not require a password.



Clark County Management Advisory Report - State Auditor's Findings

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed by employees in the County Assessor's office, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Without requiring a password to access the deputy County Clerk's computer, there is no assurance the data or systems accessible on that computer are protected from unauthorized access and use. Passwords should be required to authenticate access to any county computer, kept confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

4.2 Security controls

Security controls are not in place to lock computers in the County Clerk, County Assessor, County Collector, Prosecuting Attorney, or Public Administrator's offices after a specified number of incorrect logon attempts. In addition, computers are not locked after a certain period of inactivity in the County Clerk, County Assessor, or Prosecuting Attorney's offices. Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

4.3 Backup data

The County Clerk, Prosecuting Attorney, and Public Administrator do not store backup files at an off-site location. In addition, periodic testing of backup data is not performed by these offices. Failure to store computer backup data at a secure off-site location results in the data being susceptible to the same damage as the data on the computer.

To help prevent loss of information and ensure essential information and computer systems can be recovered, backup data should be tested on a periodic basis and stored at a secure off-site location.

Similar conditions previously reported Recommendations

Similar conditions were noted in our prior 2 audit reports.

The County Commission work with other county officials to:

- 4.1 Require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.



Clark County
Management Advisory Report - State Auditor's Findings

- 4.2 Require each county computer to have security controls in place to lock it after a specific number of incorrect logon attempts or after a certain period of inactivity.
- 4.3 Ensure backup data is tested on a regular, predefined basis, and stored in a secure off-site location.

Auditee's Response

- 4.1 *We will make addendums to handbook section 516; although Clark County provides certain codes to restrict access to computers, voicemail, and electronic mail, to protect these systems against external parties or entities obtaining unauthorized access, employees should change their passwords at least once every 90 days and make sure all records are saved at the end of every business day. Passwords or codes corresponding with an employee's I.D. shall not be shared with anyone other than the authorized users. We will also make changes to the Deputy County Clerk's computer to require a password be entered to access the computer.*
- 4.2 *We will require computers to lock after a specific number of incorrect log on attempts and after a certain period of inactivity.*
- 4.3 *We will ensure backup data is tested periodically.*

5. Public Administrator's Bank Reconciliations

The Public Administrator did not prepare monthly bank reconciliations for any bank accounts or maintain a running cash balance in the checkbook registers. The Public Administrator is the court appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division, and was responsible for the financial activity of 13 individuals as of December 31, 2015.

Timely preparation of monthly bank reconciliations is necessary to ensure bank accounts are in agreement with accounting records and to detect and correct errors. In addition, maintaining a running cash balance in the checkbook registers helps ensure accurate records are kept and increases the likelihood errors will be detected and timely corrected.

Recommendation

The Public Administrator perform and document monthly bank reconciliations and maintain a running balance in the checkbook registers.

Auditee's Response

I am now performing and documenting bank reconciliations for the wards. In addition, I am now maintaining a running balance in the checkbooks.

Clark County

Organization and Statistical Information

Clark County is a county-organized, third-class county. The county seat is Kahoka.

Clark County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 42 full-time employees (including elected officials) and 10 part-time employees on December 31, 2015.

In addition, county operations include a Senior Services Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Buddy Kattelman, Presiding Commissioner	\$	27,080
Henry W Dienst, Associate Commissioner		25,080
Paul V. Brotherton, Associate Commissioner		25,080
Melissa Bevans, Recorder of Deeds		38,000
Jena Church, County Clerk		38,000
Holly Conger, Prosecuting Attorney		45,000
Paul Gaudette, Sheriff		43,470
Roberta McAfee, County Treasurer		38,000
Edwin Wilson, County Coroner		11,000
Gloria Hodges, Public Administrator		16,301
Michelle Allen, County Collector (1), year ended February 29,	58,137	
Donna F. Oilar, County Assessor, (2) year ended August 31,		18,649
Anthony Daniel, County Assessor, (2) year ended August 31,		4,392

(1) Includes \$20,137 of commissions earned for collecting city property and drainage district taxes.

(2) The County Assessor position was vacant from March 2015 to July 19, 2015. The current County Assessor took office July 20, 2015.



Office of Missouri State Auditor
Nicole Galloway, CPA

Benton County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Benton County

Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of accounting and bank records. The Sheriff has not established proper controls or procedures for receipting, recording, reconciling, and disbursing monies. The Sheriff's office does not identify month-end liabilities and compare these liabilities to the reconciled bank balance. The Sheriff charges a \$20 flat fee for mileage when serving civil papers, which is not in accordance with state law. The Sheriff's office did not submit inmate transportation reimbursement claims to the Department of Corrections for the 2 years ended December 31, 2015.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties and does not perform and document a thorough supervisory review of accounting records. The Prosecuting Attorney has not established proper controls or procedures for receipting, recording, reconciling, and transmitting monies. Collection summary reports used to report Missouri Office of Prosecution Services (MOPS) fees each month to the County Treasurer were not complete and accurate.
Property Tax System and County Collector's Controls and Procedures	Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector, and the County Collector's annual settlement for the year ended February 29, 2016, was not accurate. The County Collector does not deposit receipts intact and does not reconcile the composition of receipts to the composition of deposits. The County Collector does not have a written agreement with the City of Warsaw to bill and collect property taxes, and the written agreement with the City of Cole Camp was negotiated in 1986. The County Collector improperly withholds and personally retains commissions on railroad and utility taxes collected for cities.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Benton County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Benton County

We have audited certain operations of Benton County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock and Associates, LLC, Certified Public Accountants, was engaged to audit the financial statements of Benton County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

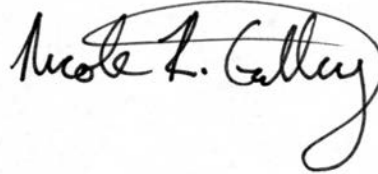
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Benton County.

Additional audit work of the Benton County Public Administrator is still in process, and any findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M. Acct., CPA, CGAP
Audit Manager:	Deborah Whitis, MBA, CPA, CIA, CFE
In-Charge Auditor:	Jennifer Anderson
Audit Staff:	Terese Summers, MSAS, CPA
	Anh Nguyen

Benton County

Management Advisory Report

State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office processed receipts totaling approximately \$175,000 during the year ended December 31, 2015.

1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of detailed accounting and bank records. The Sheriff's secretary is primarily responsible for receipting, recording and depositing monies, making disbursements, and preparing bank reconciliations and the monthly fee report. Additionally, the Sheriff's secretary can provide one of the two required signatures on checks. The Sheriff and County Treasurer review and initial the monthly bank reconciliations, but neither of them reviews other accounting records including detailed receipt and disbursement records. As a result, no one identified the recording errors discussed in sections 1.2 and 1.3, and the shortage discussed in section 1.4 during these reviews.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits and disbursements to supporting documentation.

1.2 Receipting, recording, and reconciling

The Sheriff has not established proper controls or procedures for receipting, recording, and reconciling monies. We noted the following concerns:

- Receipt slips are not issued for payments received for commissary commissions, phone commissions, and Social Security Incentive (SSI) payments.
- Checks and money orders are not restrictively endorsed immediately upon receipt.
- Receipt slips issued and monies deposited are not reconciled to receipts recorded on the monthly fee report used to prepare month-end disbursements. Our review of receipt slips and the monthly fee report for September 2015 identified a voided receipt slip improperly recorded on the monthly fee report as a \$10 receipt. Another receipt slip issued for \$50 was improperly recorded on the monthly fee report as \$100. As a result, the September monthly fee report total receipts was \$60 more than the receipts recorded on receipt slips and deposited. In addition during 2015, the Social Security Administration direct deposited SSI payments totaling \$1,200 into the Sheriff's bank account, but the monthly fee reports did not include this money.



Benton County Management Advisory Report - State Auditor's Findings

Failure to implement adequate receipting, recording, and reconciling procedures increases the risk that loss, theft, or misuse of monies could occur and go undetected. Issuing prenumbered receipt slips for all monies received, restrictively endorsing checks and money orders upon receipt, and reconciling receipt slips issued and deposits to the monthly fee report is necessary to ensure all receipts are handled and accounted for properly.

1.3 Disbursements

The Sheriff's office does not have adequate procedures to ensure collections are properly disbursed. The Sheriff's secretary uses monthly fee reports to prepare disbursements to the County Treasurer; but the failure to properly record all receipts (see section 1.2) and disbursements, including refunds, on the monthly fee reports resulted in disbursement errors. For example, a \$30 receipt in December 2015 for civil fees was both refunded to the payer and disbursed to the County Treasurer because the refund was not recorded on the monthly fee report.

To reduce the risk of loss, theft, or misuse of funds, adequate procedures are necessary to ensure all disbursements are proper and recorded timely.

1.4 Liabilities

The Sheriff's office does not identify overall month-end liabilities and compare these liabilities to the reconciled bank balance. The Sheriff's secretary maintains a listing of cash bonds received that have not been disbursed. In addition, the monthly fee report identifies collections on hand at month-end that are usually disbursed to the County Treasurer the first week of the following month. Also, some SSI receipts (see section 1.2) were not recorded on the monthly fee report and have not been disbursed, and thus, remain in the bank account. The bond listing, monthly fee report, and SSI monies are not compared to the reconciled bank balance to ensure adequate funds are available to pay all liabilities. The bond listing, monthly fee report, and SSI monies totaled \$16,294 at December 31, 2015, however, the reconciled bank balance was only \$14,413. The Sheriff and his secretary were unaware of the \$1,881 shortage in the account. This shortage increased from the \$1,418 shortage noted in our prior audit report. Procedural weaknesses noted in sections 1.2 and 1.3 likely contributed to the increase in the account shortage.

Regular identification and comparison of liabilities to the available cash balance is necessary to ensure accounting records are in balance and monies are available to satisfy all liabilities. Differences must be adequately investigated and explained.

1.5 Civil paper service fees

The Sheriff charges a \$20 flat fee for mileage when serving civil papers, which is not in accordance with state law. The Sheriff collected approximately \$26,000 for civil paper service fees, including mileage, during the year ended December 31, 2015.



Benton County
Management Advisory Report - State Auditor's Findings

Section 57.280, RSMo, provides that the Sheriff be reimbursed for each mile actually traveled to serve any summons, writ, subpoena, or other order of the court. Charging a per-mile reimbursement for service will bring the Sheriff into compliance with state law.

1.6 Inmate transportation
reimbursement

The Sheriff's office did not submit inmate transportation reimbursement claims to the Department of Corrections for the 2 years ended December 31, 2015. After our inquiry, the Sheriff submitted claims totaling \$3,716 and received \$1,022 in reimbursements as of September 14, 2016. The Sheriff expects to receive reimbursement for all pending claims.

Section 33.120, RSMo, requires submission of all claims to the state within 2 years after reimbursable expenses have been accrued. Failure to prepare or submit timely reimbursement claims to the state could result in a loss of revenue to the county.

Similar conditions
previously reported

Similar conditions to sections 1.1, 1.2, and 1.4 were noted in our prior 2 audit reports.

Recommendations

The Sheriff:

- 1.1 Segregate accounting duties or ensure an adequate independent or supervisory review of detailed accounting and bank records is performed and documented.
- 1.2 Ensure all monies received are properly receipted and recorded, restrictively endorsed upon receipt, and reconciled to the monthly fee report and deposits.
- 1.3 Develop procedures to ensure all collections are properly and timely recorded and disbursed.
- 1.4 Prepare complete and accurate lists of liabilities and compare lists of liabilities to the available cash balances, and promptly investigate and resolve differences.
- 1.5 Ensure civil paper service fees are charged in accordance with state law.
- 1.6 Ensure inmate transportation reimbursement claims are submitted timely to the Department of Corrections.

Auditee's Response

- 1.1 *The Sheriff and the County Treasurer will verify the monthly fee report, along with the checkbook register and the Quickbooks reconciliation report. The Sheriff's secretary has a calculator tape showing how the monthly fee report, open bonds, and checkbook*



Benton County
Management Advisory Report - State Auditor's Findings

register balance. The Sheriff's office will continue to verify each day's deposit by a second person in the office and initial the receipt book. The cash and checks are verified along with the receipt slip book and the deposit slip.

1.2 *Receipt slips will be issued for commissary and phone commissions and matched with receipt slips from the County Treasurer showing that funds had been received and transmitted the same day. The SSI payments direct deposited in the Sheriff's bank account are now being receipted and recorded on the monthly fee report and a separate check is written to the Benton County Treasurer. All checks received are being restrictively endorsed upon receipt and processed the same day. Each day, the daily entries in Quickbooks and on the monthly fee report are compared to the receipt slips and amounts deposited.*

1.3&

1.4 *The monthly fee report has been updated with new columns to include the Check Number Paid, Other Revenue Distribution, Bond Paid Out, and Civil Refunds. We also keep track of interest paid and SSI payments on the monthly fee report and record the checks issued to disburse these monies to the County Treasurer. The secretary also includes a calculator tape showing the amount paid to the County Treasurer, end-of-month balance in the checkbook register, and open bonds to verify the available balance.*

1.5 *As of August 19, 2016, the civil paper service fees have been changed to \$10 Deputy Supplemental plus \$20 civil paper service fee equaling \$30, then \$20 deposit for mileage. We are charging \$0.54 per mile. When the service paperwork is returned to the office, actual mileage is notated and if any adjustment is needed, the difference is refunded or billed.*

1.6 *The Sheriff's office implemented procedures while auditors were onsite and will continue to submit inmate transportation claims to the Department of Corrections timely.*

2. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney only accepts receipts in the form of money orders or cashier's checks, which are transmitted to the merchants, the County Treasurer, or other applicable individuals. The Prosecuting Attorney's office collected approximately \$53,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.

2.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties and does not perform and document a thorough supervisory review of



Benton County
Management Advisory Report - State Auditor's Findings

accounting records. One clerk is primarily responsible for all accounting duties including entering payments for bad checks and court-ordered restitution into the computerized accounting system, transmitting monies to victims, and recording fees on the manual fee receipts ledger and transmitting them to the County Treasurer. Additionally, all 3 clerks have the ability to issue receipt slips and record adjustments to defendant accounts in the computerized accounting system without independent approval. The Prosecuting Attorney indicated she periodically reviews records in the computerized accounting system but does not document her reviews.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and transmitting monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting records are essential and should include comparing daily receipt activity to transmittals and a review of adjustments made to the accounting system.

2.2 Receipting, recording, reconciling, and transmitting

The Prosecuting Attorney has not established proper controls or procedures for receipting, recording, reconciling, and transmitting monies. We noted the following concerns:

- Manual fee receipts ledgers are not reconciled to the computerized accounting system records. We noted instances where the amounts posted in the computerized accounting system did not agree with the amounts recorded on the manual fee receipts ledger, which is utilized to support the transmittal of monies to the County Treasurer.
- The Prosecuting Attorney does not account for the numerical sequence of receipt numbers assigned by the computerized accounting system and the system does not have controls to prevent the Prosecuting Attorney or her clerks from changing the date of receipts in the system to a past or future date. During our review of 484 receipt numbers issued from January 1, 2015, through March 29, 2016, we identified 23 receipt numbers with a backdated issue date in the computerized accounting system. Additionally, we noted 4 missing receipt numbers and 14 receipt numbers totaling \$2,311 deleted from the computerized accounting system. The Prosecuting Attorney indicated these deleted transactions corrected payment and accounts receivable errors resulting from a software update; however, she provided no supporting documentation.



Benton County Management Advisory Report - State Auditor's Findings

- The clerk does not transmit monies timely to the County Treasurer. We noted \$486 in bad check fees received between March 5, 2015, and June 3, 2015, were not transmitted to the County Treasurer until June 15, 2015. In addition, only 8 transmittals of bad check fees occurred during 2015 instead of monthly as required by state law.

Failure to implement adequate receipting, recording, reconciling, and transmitting procedures increases the risk that loss, theft, or misuse of monies received will go undetected. The Prosecuting Attorney should ensure adequate controls are in place to reconcile manual fee receipt ledgers to computerized receipt records, properly account for the numerical sequence of receipt numbers, and work with the computer programmer to establish controls that prevent changes from being made to recorded receipt dates. In addition, Section 50.370, RSMo, requires every county official who receives fees or remuneration for official services to file a monthly report with the county and pay such monies to the County Treasurer.

2.3 Monthly reports

The Prosecuting Attorney's collection summary reports used to report Missouri Office of Prosecution Services (MOPS) fees each month to the County Treasurer were not complete and accurate. The Circuit Clerk's office also collects MOPS fees for the Prosecuting Attorney's office and transmits these monies to the County Treasurer. The Circuit Clerk notifies the Prosecuting Attorney's office of these collections for inclusion in the collection summary reports. However, these reports did not include all MOPS fees collected, and as a result, \$165 of \$695 collected and transmitted to the County Treasurer during the year ended December 31, 2015, was not paid to MOPS.

To ensure amounts distributed to MOPS are accurate, monthly collection detail reports should be reconciled to actual MOPS fees transmitted to the County Treasurer.

Similar conditions previously reported Recommendations

Similar conditions were noted in our prior audit report.

The Prosecuting Attorney:

- 2.1 Segregate accounting duties or ensure an adequate independent or supervisory review of accounting records is performed and documented. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments.
- 2.2 Reconcile manual fee receipts ledgers to computerized receipt records, implement procedures to account for the numerical sequence of receipt numbers, and work with the computer programmer to establish controls to prevent changing of receipt



Benton County
Management Advisory Report - State Auditor's Findings

Auditee's Response

- dates. In addition, the Prosecuting Attorney should ensure fees collected are transmitted to the County Treasurer timely.
- 2.3 Reconcile MOPS collection reports to amounts transmitted to the County Treasurer.

2.1 *Should the State Auditor's Office provide a form or example of the format for the information requested, my office shall comply forthwith.*

2.2&

2.3 *With regard to "missing receipt numbers and . . . receipts": the auditors were made aware that my staff had located discrepancies in reported payments and had adjusted according to the instructions of the software company. The "change of date" accurately reflects the date of payment rather than the date of correction. Payments are made by money order, cashier's checks, attorney trust account checks, or checks from the court. Each of these payment types has an independent record system by which those documents may be traced (and copies obtained) by the payor. Furthermore, no payments are missing to my knowledge.*

With regard to your statement that "similar conditions were noted in our prior audit report", I wrote the software company on March 21, 2012, expressing the concerns of that audit. I had responses on March 23 and March 27 indicating that the company would evaluate the criticisms and requests when they surveyed users and update the program.

As to the computer system at issue here, prosecutors in Missouri have been using it since 2000. It is a Missouri company that is now used nationwide for prosecution case management. Only thirteen counties in Missouri do not use this program; four of those thirteen are scheduled to install the system before the end of the year. The user contract for prosecutors is negotiated for us at the state level.

With regard to Section 50.370, RSMo, the Prosecuting Attorney's Office receives no fees which "belong to the county." The administrative handling fee and bad check fees, created by statute, are, by statute, deposited into a fund which can be expended only by this office. No previous instructions have required the Chapter 50 report from this office. That being said, we do make a report to the County Treasurer's Office as to the aforementioned fees. We have altered that schedule to monthly reporting.



Benton County
Management Advisory Report - State Auditor's Findings

Naturally, reasonable, logical, and possible recommendations will be implemented within the financial limitations existing in the county.

Auditor's Comment

2.1 The recommendation is for the Prosecuting Attorney to document her reviews of accounting records. We discussed various methods to document these reviews with the Prosecuting Attorney.

2.2&

2.3 The Prosecuting Attorney's response did not address all parts of the recommendations. It is important that the Prosecuting Attorney implement adequate receipting, recording, reconciling, and transmitting procedures.

3. Property Tax System and County Collector's Controls and Procedures

Property tax system and the County Collector's controls and procedures need improvement. The office processed tax collections of approximately \$14 million during the year ended February 29, 2016.

3.1 Review of activity

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk prepares an account book summarizing property tax charges, transactions, and changes occurring during the tax year, but does not utilize it to perform a thorough review of the County Collector's annual settlement. As a result, errors noted in section 3.2 were not detected and corrected on the County Collector's annual settlements approved by the County Clerk. Also, the County Commission did not review and approve the County Collector's annual settlements for the year ended February 29, 2016.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to the county treasury. An account book or other records that summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

3.2 Annual settlement

The County Collector's annual settlement for the year ended February 29, 2016, was not accurate.



Benton County
Management Advisory Report - State Auditor's Findings

- Our review of the annual settlement determined total collections and total distributions did not balance. The County Collector improperly reported \$32,116 less in collections and \$19,815 less in distributions than total amounts reported in monthly settlements and other collection and distribution reports. We also noted railroad and utility tax book charges and collection amounts reported on page 2 of the annual settlement improperly reported the prior year's activity instead of the current year's activity. The County Collector indicated she prepares the annual settlement using reports from the property tax system and manual records, and balances collections to distributions on her monthly settlements.
- Distributions reported on page 1 of the annual settlement improperly included interest not disbursed totaling \$4,661. The County Collector does not distribute interest earned on the bank accounts until the following year and should not report interest on hand as being distributed when the annual settlement is prepared.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is important the County Collector file complete and accurate annual settlements.

3.3 Receipting and depositing

The County Collector does not deposit receipts intact and does not reconcile the composition of receipts to the composition of deposits.

- The County Collector does not deposit receipts intact and does not maintain the change fund at a constant amount. The County Collector prepares the deposit and typically includes an even amount of cash in the deposit and withholds the balance of cash receipts for the change fund.
- Receipts are used to cash personal checks for county employees. Our review of 5 deposits made during November 2015 identified 4 personal checks of county employees totaling \$372 deposited by the County Collector's office in the place of cash receipts.
- Receipts were not always recorded with the correct method of payment. Our review of daily reports and deposits for the week ended November 20, 2015, identified 5 cash receipts totaling \$1,612 improperly recorded as checks, and 3 check receipts totaling \$2,253 improperly recorded as cash.

As a result, amounts receipted do not agree to the deposited amounts and the composition of receipts does not agree to the composition of deposits.



Benton County
Management Advisory Report - State Auditor's Findings

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, all monies should be deposited intact, the practice of cashing personal checks should be discontinued, and the composition of receipts should be reconciled to the composition of deposits. If a change fund is needed, it should be set at a constant amount and procedures established to reconcile to this amount every time a deposit is made.

3.4 City agreements

The County Collector does not have a written agreement with the City of Warsaw to bill and collect property taxes, and the written agreement with the City of Cole Camp was negotiated by a former County Collector in 1986 and should be updated.

Section 50.332, RSMo, allows county officials, subject to the approval of the county commission, to perform services for cities they normally provide to the county for additional compensation. Section 432.070, RSMo, requires all such contracts be in writing.

3.5 City commissions

The County Collector improperly withholds and personally retains commissions on railroad and utility taxes collected for cities. These commissions totaled \$323 for the year ended February 29, 2016.

The collection of railroad and utility taxes is a part of the County Collector's statutorily required duties, and she should not receive additional compensation for collecting these taxes. However, the County Collector withholds and personally retains a 1 percent commission from railroad and utility taxes for the cities of Lincoln, Cole Camp, and Ionia, and a 4 percent commission from railroad and utility taxes collected for the city of Warsaw.

The County Collector has written agreements with 3 cities for property tax collection services, which provide for her to personally retain a 1 percent commission on current city tax collections. Because the collection of railroad and utility taxes is a statutorily required duty, these contract terms conflict with state law and the County Collector should not receive this additional compensation. The County Collector would collect the railroad and utility monies for these cities even if she did not collect taxes for these cities.

Section 151.180, RSMo, requires the County Collector to collect all railroad taxes and Section 151.280, RSMo, requires the County Collector to withhold and pay a 1 percent commission on these taxes to the county's General Revenue Fund. Section 153.030, RSMo, requires utility taxes to be levied and collected in the same manner as railroad taxes.

Similar conditions previously reported

Similar conditions to sections 3.3 and 3.4 were noted in our prior 2 audit reports.



Benton County
Management Advisory Report - State Auditor's Findings

Recommendations

- 3.1 The County Clerk and County Commission should use the County Clerk's account book to review the accuracy and completeness of the County Collector's annual settlements.
- 3.2 The County Collector prepare complete and accurate annual settlements.
- 3.3 The County Collector deposit all receipts intact, maintain the change fund at a constant amount, discontinue the practice of cashing personal checks, and reconcile the composition of receipts to the composition of deposits.
- 3.4 The County Collector work with the County Commission to obtain current written agreements with the cities for property tax collections.
- 3.5 The County Collector discontinue personally retaining commissions withheld on railroad and utility taxes and distribute these collections in accordance with state law.

Auditee's Response

The County Clerk and County Commission provided the following response:

- 3.1 *The account books will be used to more thoroughly reconcile the County Collector's books on the annual settlement. The annual settlement will have a documented review by the County Commission and the review will be included in the minutes of the County Commission.*

The County Collector provided the following responses:

- 3.2 *I have always struggled with breaking down over \$14 million on the annual settlement. I was thrilled to find that my records were only off \$7.89 when the auditors compared collections per the monthly settlements to collections per the cashbook using my records. I thank you for explaining the breakdown by categories and will make every effort to have a correct annual settlement next year.*
- 3.3 *It was noted that my deposited receipts do not reconcile with the composition of receipts. When waiting on taxpayers, we ask if they are paying with cash/check/money order/credit, etc. If they change their minds after we have entered it, we are unable to make any changes. The monies are still correct. We will try to make a record when this happens in the future.*
- 3.4 *I will try to check on updating city contracts.*



Benton County
Management Advisory Report - State Auditor's Findings

3.5 *I was unaware the County Collector is not to retain any city commissions on railroad and utility tax collections. I will discontinue retaining these commissions to abide by state law.*

Auditor's Comment

3.3 The County Collector's response only addresses one part of the recommendation. It is important that the County Collector implement adequate receipting and depositing procedures.

Benton County

Organization and Statistical Information

Benton County is a county-organized, third-class county. The county seat is Warsaw.

Benton County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 88 full-time employees (including elected officials) and 8 part-time employees on December 31, 2015.

In addition, county operations include a Senior Citizens' Services Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Michelle McLerran-Kreisler, Presiding Commissioner	\$	31,278
Jim Hansen, Associate Commissioner		28,568
Steve Daleske, Associate Commissioner		28,568
Beverly Burnett, Recorder of Deeds		44,168
Susan Porterfield, County Clerk		44,168
Karen Coffey Woodley, Prosecuting Attorney		134,374
Rick Fajen, Sheriff		48,006
Rick Renno, County Treasurer		44,168
J. Weston Miller, County Coroner		14,612
Lori Dunkin, Public Administrator		43,310
Donna Hart, County Collector (1), year ended February 29,	50,653	
Rodger L. Reedy, County Assessor, year ended August 31,		42,945
Jesse Wininger, County Surveyor (2)		

(1) Includes \$6,271 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.



Office of Missouri State Auditor
Nicole Galloway, CPA

Wayne County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Wayne County

Financial Condition	The county's General Revenue Fund is in poor financial condition. The cash balance is low and does not take into account significant liabilities of the fund, including \$471,846 due to the Special Road and Bridge Fund.
County Sales Tax	The General Revenue Fund has not reimbursed the Special Road and Bridge Fund for road and bridge property tax reductions related to sales tax collections deposited to the General Revenue Fund since 1991, and \$471,846 is owed as of December 31, 2015.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney frequently reduces charges filed on traffic tickets by requiring defendants to make a donation, ranging from \$50 to \$300, to the county's Special Law Enforcement Fund as a condition of reducing the charges. Donations totaled approximately \$44,500 for the year ended December 31, 2015. Written plea agreements signed by the defendant and the Judge do not disclose the amount the defendant was required to donate to the Special Law Enforcement Fund. Receipt slips are not issued immediately upon receipt of bad check fees and donations, checks and money orders are not restrictively endorsed promptly, and monies are not transmitted timely. The Prosecuting Attorney has not established adequate procedures to ensure 10-day letters are issued and charges are filed timely with the court for unresolved bad check complaints.
Sheriff's Controls and Procedures	The Sheriff does not restrictively endorse checks and money orders immediately upon receipt. The Sheriff maintains a bank account outside the county treasury to account for proceeds from the U.S. Department of Justice Equitable Sharing Program without statutory authority. The Sheriff's fee bank account had an unidentified balance, and the Sheriff used part of this money to make office-related purchases. The Sheriff has not entered into written agreements with the City of Greenville or surrounding counties for the boarding of prisoners detailing the prisoner housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations.
Property Tax System Controls and Procedures	Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. The County Clerk and the County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. The County Clerk and County Commission do not adequately monitor additions and abatements entered into the property tax system.
County Collector's Check Procedures	The County Collector does not issue checks in numerical sequence and does not retain all voided or spoiled checks.
County Procedures	The county does not reconcile fuel usage logs to fuel purchases. Employee timesheets and leave balances are not always reviewed and approved to ensure accuracy.

Sheriff's Car Lease	The county has not performed a cost-benefit analysis comparing the cost of purchasing a car for the Sheriff versus paying the Sheriff a mileage reimbursement for the personal use of his vehicle.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Wayne County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Wayne County

We have audited certain operations of Wayne County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Wayne County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

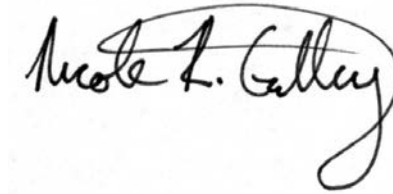
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Wayne County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
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	Denise Huddleston, MBA
Audit Staff:	Samantha Sieg
	Joel Stucky

Wayne County

Management Advisory Report

State Auditor's Findings

1. Financial Condition

The county's General Revenue Fund remains in poor financial condition. The following table reflects the ending cash balance of the General Revenue Fund over the last 4 years as reported in the county's audited financial statements and the projected ending cash balance as reported in the 2016 budget document.

Ending Cash Balance, Year Ended December 31,				
2016 Budgeted	2015 Actual	2014 Actual	2013 Actual	2012 Actual
\$ 1,076	44,003	6,395	77,694	815

The cash balances are low and do not take into account significant liabilities of the General Revenue Fund, including \$471,846 due to the Special Road and Bridge Fund as a result of the county's sales tax rollback methodology.

- The General Revenue Fund owes the Special Road and Bridge Fund \$471,846, because the county reduced Special Road and Bridge property tax levies by this amount to meet the sales tax rollback requirement (see MAR finding number 2).
- The General Revenue Fund continues to experience significant cash flow problems, and borrowed \$503,000 on a bank line of credit to fund county operations from 2012 to 2015. The county has generally repaid these amounts by year-end, and as of June 30, 2016, all amounts have been repaid.
- The financial condition of the General Revenue Fund has been further strained by the operating costs associated with the county jail, which opened in June 2009. The county did not adequately consider all operating costs, such as utilities, cost of boarding prisoners, and the need for increased staffing for the jail. In addition, no cost analysis or consideration of future billing revenues for holding prisoners for other counties has been projected. Although board bill revenues have increased from \$81,626 in 2012 to \$300,739 in 2015, jail operation costs have also increased from \$251,483 to \$371,028 during the same time period.

In an effort to improve the county's financial condition, the county proposed and voters passed in April 2012 an additional 1/2-cent general sales tax under Section 67.547, RSMo, for a period of 6 years. However, the positive impact of this sales tax is lessened due to the rollback requirement as discussed in MAR finding number 2. The sales tax ballot language requires the General Revenue property tax levy to be reduced annually for a 100 percent reduction in general revenue property tax. The new sales tax is generating approximately \$485,000 in revenues each year, of which the county is using approximately \$307,000 to reduce property taxes and to pay



Wayne County
Management Advisory Report - State Auditor's Findings

for repairs and renovations to the county courthouse and approximately \$178,000 for general operating expenses. The county is using none of the revenue to repay the Special Road and Bridge Fund. The expiration of the sales tax will result in less revenues and the county will likely need to reduce disbursements.

The county does not have sufficient monies to repay the amounts owed from the General Revenue Fund to the Special Road and Bridge Fund, operate the jail, and pay other county operating costs. A significant increase in receipts or reduction in disbursements will be required for a period of several years to resolve the county's financial concerns.

The County Commission indicated it is aware of the concern and is continually trying to reduce disbursements and maximize receipts. It is essential the County Commission address the situation both in the immediate and long-term future. To improve the financial condition of the county, the County Commission should review disbursements and reduce discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of county resources, and attempt to maximize all sources of receipts.

Similar condition
previously reported

A similar condition was noted in our 2 prior audit reports. Additionally, the *Follow-Up Report on Audit Findings - Wayne County*, Report No. 2013-56 (section 1), issued in July 2013, reported the status, at that time, as in progress. The County Commission needs to continue to take steps to improve the county's financial condition.

Recommendation

The County Commission closely monitor the county's financial condition and continue to take the necessary steps to improve the financial condition of the General Revenue Fund. In addition, the County Commission should perform long-term planning and take advantage of any opportunities to decrease disbursements and maximize receipts.

Auditee's Response

With the existing 1/2-cent sales tax and now the one and 1/2-cent use tax, the county's financial condition is improving. As of this month, the county is \$100,000 ahead of where it was last year. The county has not had to borrow any money this year. Each officeholder in the county is doing everything to keep budgetary items at a minimum to help with the county's bottom line.

2. County Sales Tax

The General Revenue Fund has not reimbursed the Special Road and Bridge Fund for road and bridge property tax reductions related to sales tax collections deposited to the General Revenue Fund since 1991, and \$471,846 is owed as of December 31, 2015.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected and provides for actual sales tax revenue



Wayne County
Management Advisory Report - State Auditor's Findings

for the preceding year, which is higher or lower than that year's estimated sales tax revenue to be included in the subsequent year's property tax revenue roll back calculation. In addition, Wayne County voters passed an additional sales tax under Section 67.547, RSMo, in 2012. The 2012 sales tax ballot language requires the general revenue property tax levy to be reduced annually by an additional 50 percent of the sales taxes collected, totaling a 100 percent reduction of the general revenue property tax levy.

Special Road and Bridge
property tax levy reduction

Annually, Wayne County certifies to the State Auditor's Office the annual property tax levy including the amount the levy is reduced for sales tax collections, as well as any voluntary reductions. The General Revenue property tax levy was reduced to 12.59 cents in 2012, and beginning in 2013, the county reduced the General Revenue Fund property tax levy to zero.

The county also reduced the Special Road and Bridge property tax levy each year from 1991 to 2012 to satisfy a portion of the rollback requirement related to the General Revenue sales taxes. However, county officials made no transfers from the General Revenue Fund to the Special Road and Bridge Fund to replace lost property tax revenue. As a result, the General Revenue Fund owes the Special Road and Bridge Fund \$471,846 as of December 31, 2015. This liability is significant and represents approximately 23 percent of the county's typical annual General Revenue Fund activity.

Since revenues of the Special Road and Bridge Fund are required by Section 137.555, RSMo, to be used only for improving and maintaining county roads and bridges, lost property tax revenues of the Special Road and Bridge Fund that relate to the sales tax rollback requirement should be reimbursed by the General Revenue Fund.

Similar condition
previously reported

A similar condition was noted in several prior audit reports dating back to 1991. Additionally, the *Follow-Up Report on Audit Findings - Wayne County*, Report No. 2013-56 (section 2), issued in July 2013, reported the status, at that time, as partially implemented. Although the General Revenue property tax levy was reduced to zero, the amount owed to the Special Road and Bridge Fund has not been repaid.

Recommendation

The County Commission transfer \$471,846 from the General Revenue Fund to the Special Road and Bridge Fund.

Auditee's Response

From this point forward, the county will work to reimburse the Special Road and Bridge Fund for property tax reductions related to General Revenue Fund sales tax collections since 1991. The county will look into using projected use tax revenues and other means to start the reimbursement.



Wayne County
Management Advisory Report - State Auditor's Findings

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected bad check and restitution fees totaling approximately \$20,100 and donations totaling approximately \$44,500 for the year ended December 31, 2015. The Prosecuting Attorney also collects bad check restitution and other restitution monies.

3.1 Unallowable donations

The Prosecuting Attorney frequently reduces charges filed on traffic tickets by requiring defendants to make a donation, ranging from \$50 to \$300, to the county's Special Law Enforcement Fund as a condition of reducing the charges. During the year ended December 31, 2015, donations totaling approximately \$44,500 were deposited into this fund. Although the Prosecuting Attorney has a fee schedule, the amount paid to the Special Law Enforcement Fund to amend traffic violations to non-moving violations can be negotiated with the Prosecuting Attorney. There is no authority for the Prosecuting Attorney to require a donation to reduce charges filed on traffic tickets. Article IX, Section 7, Missouri Constitution, states the proceeds of all penalties, forfeitures, and fines are to be distributed to the County School Fund.

In addition, the written plea agreement signed by the defendant and the Judge does not disclose the amount the defendant was required to donate to the Special Law Enforcement Fund. Supreme Court Rule 24.02 states that if a plea agreement has been reached by the parties, the court shall require the disclosure of the agreement on the record and a determination that there are no promises apart from the plea agreement.

3.2 Bad check fee and donation receipts

Receipt slips are not issued immediately upon receipt of bad check fees and donations, checks and money orders are not restrictively endorsed promptly, and monies are not transmitted timely. Office personnel indicated receipt slips are prepared and checks and money orders are endorsed when receipts are transmitted monthly to the County Treasurer. A cash count performed on January 11, 2016, identified 22 money orders for donations totaling \$3,015 that had not been restrictively endorsed. Receipt slips were not prepared for these money orders until the next day.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, office staff should issue receipt slips when monies are received, endorse checks and money orders immediately upon receipt, and make transmittals timely.

3.3 Ten day letters and charges filed

The Prosecuting Attorney has not established adequate procedures to ensure 10-day letters are issued and charges are filed timely with the court for unresolved bad check complaints.



Wayne County Management Advisory Report - State Auditor's Findings

We reviewed 10 bad check cases and noted the Prosecuting Attorney's office did not timely issue a 10-day letter notifying the bad check writer he/she had 10 days to pay before charges would be filed for 4 of them. For these 4 cases, 10-day letters were issued 28 to 58 days after the date the office received the complaint. In addition, as of June 30, 2016, charges for 2 cases received by the Prosecuting Attorney's office on February 12, 2015, and February 19, 2016, have not been filed and payment has not been received.

Procedures should be established to ensure 10-day letters are issued promptly upon receipt of the complaint and charges are filed timely with the court for unresolved bad check complaints. Untimely processing of bad check complaints may limit the ability to collect bad check payments for merchants.

Similar conditions previously reported

A similar condition to section 3.1 was noted in our 2 prior audit reports and a similar condition to section 3.2 was noted in our prior audit report. Additionally, the *Follow-Up Report on Audit Findings - Wayne County*, Report No. 2013-56 (sections 3.1 and 3.4), issued in July 2013, reported the status, at that time, as not implemented for section 3.1 and implemented for section 3.2. The current Prosecuting Attorney who took office in 2015 needs to take steps to correct these weaknesses.

Recommendations

The Prosecuting Attorney:

- 3.1 Reevaluate the practice of requiring donations to the county as part of reducing charges filed.
- 3.2 Issue receipt slips and restrictively endorse money orders and checks immediately upon receipt of monies and timely transmit all monies.
- 3.3 Establish procedures to ensure 10-day letters are issued timely and charges are filed with the court timely.

Auditee's Response

- 3.1 *The Prosecuting Attorney's office disagrees with the auditor's characterization of the operation of the fund. The fund was legally established in accordance with statute prior to the legislation creating the Law Enforcement Restitution Fund. The fund is utilized in two instances. On traffic tickets defendants are advised in writing of the opportunity for them to resolve the charges by pleading to an amended charge by written plea, thus avoiding the necessity of coming to court. This is done in most cases, i.e., in cases where the defendant's known driving record does not suggest that it would be proper for points to be assessed. It is the same disposition available to individuals who elect to come to court. The processing of the*



Wayne County Management Advisory Report - State Auditor's Findings

letters and written pleas does cause additional expense to the office. The amount paid by defendants is the same as they would have paid upon a plea of guilty in person to the original charge.

The Prosecuting Attorney's office also conducts a deferred prosecution (also known as diversion in some venues) wherein upon the signing of an agreement with the office, charges are dismissed without prejudice but the defendant has agreed to conditions similar to those that would be imposed had the defendant pleaded guilty and been placed on probation. The most common use of the program is for non-violent young offenders without a prior criminal history. The cases are often in the nature of minor in possession of alcohol or misdemeanor marijuana. Even a suspended imposition of sentences on these cases is enough to prevent the defendant from qualifying for college aid. This program also creates additional workload on the office and additional costs.

Your report indicated a varying fee schedule for the programs set out above. There is occasionally a variation in which the normal administrative costs are lowered or waived in recognition of indigent or nearly indigent defendants. Accordingly the opportunity to utilize the program is not denied based on any inability to pay.

- 3.2 *Based on suggestion by your office all payments are being immediately endorsed via stamp upon receipt. It will be impossible to accomplish daily deposits due to shortage of staff, but a strong effort will be made to deposit at least on a weekly basis.*
- 3.3 *Our staffing level is inadequate to promptly issue ten day letters or to timely follow up with charges. For that to be done staff members would have to be pulled from preparing felony charges, trial preparation, witness notification, etc.*

Auditor's Comment

- 3.1 When the Prosecuting Attorney says the amount paid by defendants is the same as they would have paid upon a plea of guilty in person to the original charge, he is referring to the amount that is paid to the court. However, our finding is referring to the additional amounts that are paid to the Prosecuting Attorney's office and deposited into the Special Law Enforcement Fund in order to have the charges reduced. There is no authority for the Prosecuting Attorney to require a donation to reduce charges filed on traffic tickets. As noted in the audit finding, the written plea agreement does not disclose the additional amount the defendant is required to donate.



Wayne County
Management Advisory Report - State Auditor's Findings

4. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. During the year ended December 31, 2015, the Sheriff's office collected conceal and carry weapon (CCW) fees, civil process fees, transport fees, dispatch fees, and other miscellaneous fees totaling approximately \$71,000, and board bill reimbursements totaling approximately \$139,000.

4.1 Receipts

The Sheriff does not restrictively endorse checks and money orders immediately upon receipt. They are restrictively endorsed when the deposit is prepared. A cash count performed on January 12, 2016, identified 4 checks totaling \$156 that had not been restrictively endorsed.

Failure to implement adequate receipting procedures increases the risk of loss, theft, or misuse of monies and the likelihood that errors will go undetected. Procedures should be established to ensure all monies received are restrictively endorsed immediately upon receipt.

4.2 Seizure bank account

The Sheriff maintains a bank account outside the county treasury to account for proceeds from the U.S. Department of Justice Equitable Sharing Program. During 2015, the Sheriff used part of this money totaling \$5,926 to purchase ammunition, bullet proof vests, a cargo kennel for the drug dog, checks, and radio tower repairs. The account had a \$7,411 balance as of the December 13, 2015, bank reconciliation.

There is no statutory authority allowing the Sheriff to maintain this account outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. In addition, Attorney General's Opinion No. 45-1992 to the Hickory County Prosecuting Attorney, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

4.3 Fee bank account

The Sheriff's fee bank account had an unidentified balance of \$3,817 at December 31, 2015. In addition, the Sheriff used this account to make purchases totaling \$1,307 during 2015. Items purchased included office supplies, jail supplies, office furniture, postage, title fees, and repairs made on 2 patrol cars. The Sheriff indicated these monies were remaining from the prior Sheriff.

Sections 50.360 and 50.370, RSMo, require every county official who receives any fees or other remuneration for official services to pay such monies monthly to the County Treasurer. In addition, various statutory provisions provide for the disposition of unidentified monies.

4.4 Written agreements

The Sheriff has not entered into written agreements with the City of Greenville or surrounding counties for the boarding of prisoners, detailing



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the prisoner housing rate to be paid, the services to be provided, or any required notification for emergency or non-routine situations.

Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

Similar condition
previously reported

A similar condition to section 4.3 was noted in our prior audit report. Additionally, the *Follow-Up Report on Audit Findings - Wayne County*, Report No. 2013-56 (section 4.3), issued in July 2013, reported the status, at that time, as implemented. The current Sheriff who took office in 2013 needs to take steps to correct this weakness.

Recommendations

The Sheriff:

- 4.1 Restrictively endorse checks and money orders immediately upon receipt.
- 4.2 Transfer the balance of the federal forfeiture bank account to the County Treasurer and close the account.
- 4.3 Dispose of any remaining unidentified monies in accordance with state law. Further, the Sheriff's office should make all purchases through the normal county process for expenditures.
- 4.4 Enter into written agreements with other political subdivisions as appropriate, and ensure the agreements are signed by all parties and specify the services to be rendered and the manner and amount of compensation to be paid.

Auditee's Response

The Sheriff provided the following responses:

- 4.1 *This recommendation was implemented June 1, 2016. All checks and money orders are now endorsed upon receipt.*
- 4.2 *The seizure account will be placed in a special fund with the County Treasurer by October 31, 2016.*
- 4.3 *Money held in the Sheriff Special account will be kept to a minimum balance to cover bank fees. All other money will be turned over to the County Treasurer and deposited in the Sheriff's Civil Fund by October 31, 2016. Going forward, all transactions will be recorded in QuickBooks software so all deposits can be correctly identified.*



Wayne County
Management Advisory Report - State Auditor's Findings

4.4 *The Sheriff's office will draft written agreements for prisoner housing and have agreements signed to ensure all parties are aware of their duties and responsibilities by December 31, 2016.*

The County Commission provided the following response:

4.4 *The County Commission agrees to sign the written agreements that the Sheriff's office will be obtaining in relation to prisoner housing.*

5. Property Tax System Controls and Procedures

5.1 Review of property taxes

The County Clerk and the County Commission do not provide adequate monitoring of the property tax system activities. For the year ended February 29, 2016, property taxes and other monies collected by the County Collector totaled approximately \$5.8 million.

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. Although the County Clerk maintains files of tax charges, additions and abatelements, and the County Collector's monthly settlements, the County Clerk does not use this information to create an account book. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatelements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

5.2 Additions and abatelements

The County Clerk and County Commission do not adequately monitor additions and abatelements entered into the property tax system. Although the County Clerk initials each court order and the County Clerk and Presiding Commissioner sign the summary report, there is no independent comparison of additions and abatelements to the actual changes in the property tax system. The County Assessor enters information for additions and abatelements into the property tax system and provides documentation to the County Collector's office. The Deputy Collector prepares the court orders at the end



Wayne County Management Advisory Report - State Auditor's Findings

of the month and provides a copy of each court order to the County Assessor and the County Clerk. The Deputy Collector also generates a report of additions and abatements from the computer system for the County Clerk, however, this report is not reconciled to the court orders. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored, and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, an independent reconciliation of approved additions and abatements to actual corrections made to the property tax system would help ensure changes are proper.

Similar conditions previously reported

Similar conditions to sections 5.1 and 5.2 were noted in our prior audit report. Additionally, the *Follow-Up Report on Audit Findings - Wayne County*, Report No. 2013-56 (section 6), issued in July 2013, reported the status, at that time, as implemented. The County Clerk who took office in 2015 and the County Commission need to take steps to correct these weaknesses.

Recommendations

- 5.1 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 5.2 The County Clerk and the County Commission ensure all property tax additions and abatements are properly approved and monitored.

Auditee's Response

The County Clerk provided the following responses:

- 5.1 *The County Clerk has begun the process of a spreadsheet and will be getting additional input at her yearly conference. She will work with the County Collector to balance the monthly and annual settlements.*
- 5.2 *The County Clerk agrees to implement additional checks and balances to compare court orders received from the County Assessor's office to the reports received from the County Collector's office.*

The County Collector provided the following response:

- 5.2 *Information in the Property Tax Systems Controls and Procedures portion of the audit findings require clarification.*



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The County Collector has no access to the tax software system that generates abatements and other court orders. The County Assessor's office is the point of origination for all changes to tax books. The procedures in the County Collector's office are as follows:

On the last day of every month, the Chief Deputy prints all court orders from the system. Three different items are printed. One, is a spreadsheet of the total dollar amount of court orders for the month. This spreadsheet is segregated by real and personal taxes and further by current and delinquent taxes and further by the type of court order. The second printout type is individual court order sheets for each change made. The third and final printout type is court order total sheets by tax year and type of court order. The Chief Deputy compiles all the court order sheets and attaches documentation for each court order from the County Assessor's office. A calculator tape of individual court order sheet amounts is ran and compared to the total amounts on the court order total sheets and the monthly spreadsheet.

The County Collector reviews all court order information before it is sent to the County Assessor and County Clerk and County Commission for review. Totals from the court order total sheets and the calculator tapes are compared. The County Collector then signs off on the reports and forwards them to the County Assessor. The totals calculator tape is attached to all copies of the court order total sheets and sent to the County Assessor and County Clerk for review.

Further review of the court order amounts is performed by the County Collector periodically throughout the year with tax summary reports generated from the computer system. The monthly spreadsheet of court orders is cumulative and lists monthly totals for each tax year. This information is compared to amounts on the tax summary reports. Finally, during the process of preparing the County Collector's annual settlement, the annual cumulative amounts of court orders are reconciled to the spreadsheet. The County Collector ensures that amounts reported as abatements, additions, and increases on the annual settlement agree to the totals on the court order spreadsheets.

In addition, the new tax software system that was upgraded in June 2013 allows for the County Clerk to generate the tax summary reports, which can be used for review of the court order information as well as the County Collector's monthly and annual settlements.



Wayne County
Management Advisory Report - State Auditor's Findings

Auditor's Comment

5.2 Although the County Collector compares the monthly spreadsheets of court orders to the property tax system summary reports, Sections 137.260 and 137.270, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. The performance of independent reconciliations provides an important control because the County Collector has responsibility for collecting property taxes.

**6. County Collector's
Check Procedures**

The County Collector does not issue checks in numerical sequence and does not retain all voided or spoiled checks.

The County Collector does not always use the next check in the numerical sequence when preparing checks. The County Collector issued 51 checks out of sequence in calendar year 2015. In addition, voided or spoiled checks are not retained for either of the County Collector's bank accounts. Also, these checks are not recorded into the computerized accounting system and, as a result, do not appear on detailed check reports. The County Collector could not locate 31 checks not listed on the check reports for calendar year 2015. The County Collector indicated she had been shredding any voided or spoiled checks.

To ensure all checks are accounted for and issued only for authorized purposes, the numerical sequence of all checks should be accounted for, and all voided and spoiled checks should be properly defaced and retained.

Recommendation

The County Collector account for the numerical sequence of checks issued and deface and retain all voided and spoiled checks.

Auditee's Response

The County Collector's office issues refund checks for overpayments of taxes. The County Collector generally issues refund checks at the end of each month after reconciling all cash balances and ensuring refund amounts are correct. At that time, normally the first part of the following month, the County Collector generates any refund checks. For reconciliation purposes, the County Collector dates refund checks the date that corresponds with the paid date in the tax collections system. Although this process will cause checks to appear to be issued out of numerical sequence by date, the County Collector is of the opinion that it is vital that refund check dates correspond with system paid dates. This process allows the County Collector to easily reconcile a particular day's activity.

Although the County Collector is of the opinion that, with the ever increasing problem of identity theft, it is more secure to shred voided checks, procedures have been adopted to retain voided checks. All voided checks will be mutilated by removing the bottom portion of the check that includes bank routing and account numbers as well as the signature line. The bottom part of the check will be shredded and the top portion retained



Wayne County Management Advisory Report - State Auditor's Findings

until after Missouri State Auditor's Office audits are complete, at which time the top portion will be shredded.

7. County Procedures

As similarly noted in our prior audit report, improvements are needed in the county's procedures over fuel use and employee leave records.

7.1 Fuel use

The county does not reconcile fuel usage logs to fuel purchases. During the year ended December 31, 2015, fuel purchases totaled approximately \$132,000 for the Road and Bridge department and \$31,000 for the Sheriff's office.

The fuel purchased by the Road and Bridge department is stored in bulk fuel tanks at both Road and Bridge sheds. The fuel purchased by the Sheriff's office is stored in a bulk fuel tank at the Sheriff's building. Although fuel usage logs are maintained by personnel for all equipment and vehicles and logs of fuel dispensed from bulk fuel tanks are maintained, these logs are not used to reconcile to fuel purchases.

Procedures for reconciling fuel use to fuel purchases are necessary to ensure vehicles and equipment are properly utilized; prevent paying vendors for improper amounts; and decrease the risk of loss, theft, or misuse of fuel going undetected.

7.2 Employee timesheets and leave records

Employee timesheets and leave balances are not always reviewed and approved to ensure accuracy. As a result, county officials did not detect several leave balance errors. Each employee is responsible for recording and accumulating leave balances on his/her timesheets. County procedures require the official or department head for whom an employee works to review and approve the employee's timesheet. We reviewed vacation, sick, and compensatory time leave balances for 6 employees as recorded on their timesheets, and determined 2 of the employees had incorrect balances due to math or recording errors. In addition, the County Clerk does not review and approve her employee's timesheets.

Without proper review and documented approval of employee timesheets and leave records, the County Commission cannot ensure vacation, sick, and compensatory balances are accurate and in compliance with county policy. Accurate timesheets and leave records also aid in determining unused vacation and compensatory leave upon termination of employment, in the event dispute arises, and in demonstrating compliance with the Fair Labor Standards Act.

Recommendations

The County Commission and County Clerk:

- 7.1 Ensure fuel logs are reconciled to fuel purchases and any significant differences identified are investigated.



Wayne County
Management Advisory Report - State Auditor's Findings

- 7.2 Ensure timesheets are reviewed and approved by the appropriate officials and also ensure the accuracy of leave information on the timesheets.

Auditee's Response

The County Commission and County Clerk provided the following responses:

- 7.1 *Fuel logs for the Road and Bridge department will be made available monthly to the County Clerk's office, showing the fuel received from the vendor and the fuel pumped into the trucks. The County Clerk's office will reconcile the logs to the invoices received.*
- 7.2 *The County Clerk is looking at different timesheets from other counties and is making an effort to come up with a timesheet that will show past months and the employees' accumulation totals. The office will make every effort to check for accuracy on holiday pay, vacation, compensatory time, and sick leave, and making sure policy guidelines are followed correctly.*

The Sheriff provided the following response:

- 7.1 *This recommendation was implemented on August 1, 2016. Fuel logs will be reconciled on a monthly basis to identify any differences to fuel purchases.*

8. Sheriff's Car Lease

The county has not performed a cost-benefit analysis comparing the cost of purchasing a car for the Sheriff versus paying the Sheriff a mileage reimbursement for the personal use of his vehicle. During June 2013 and again in June 2015, the county entered into a lease agreement with the Sheriff for the use of his personal vehicle while performing his official duties. The lease agreement requires the county to pay \$1 per year for the lease of the vehicle and requires the Sheriff to be responsible for all maintenance, upkeep, and operating expenses. Although not specified in the lease agreement, the Sheriff was paid \$0.56 per mile as compensation for leasing his vehicle to the county during the year ended December 31, 2015. Mileage reimbursements paid to the Sheriff during the year ended December 31, 2015, totaled \$19,425.

The Sheriff maintains mileage logs that include his badge number, the date, and the number of miles driven per day while patrolling the county. In addition to the mileage logs submitted to the County Clerk's office for reimbursement, we noted the Sheriff's badge number also appeared on the fuel logs used to track fuel obtained from the Sheriff's office bulk fuel tank during 2015. These logs indicate the Sheriff fueled his vehicle from the bulk



Wayne County
Management Advisory Report - State Auditor's Findings

fuel tank 68 times in 2015; totaling 791 gallons, in addition to claiming and receiving compensation of \$19,425 for the miles driven.

Beginning in 2016, the Sheriff began subtracting the cost of the fuel obtained from the bulk fuel tank from the mileage logs submitted to the County Clerk monthly. For example, in April 2016, the Sheriff was reimbursed \$1,600 for 3,282 miles driven (\$0.54 per mile for 2016) after deducting \$172 for 97 gallons of fuel obtained from the county's bulk fuel tank. The Sheriff calculated the amount to be deducted by multiplying the number of gallons pumped times the current price per gallon.

A documented cost-benefit analysis would provide the County Commission with data to make an informed decision regarding the Sheriff's vehicle and ensure the economical use of county resources.

Recommendation

The County Commission should perform a cost-benefit analysis to determine if leasing the Sheriff's personal vehicle is more cost beneficial than buying a county vehicle. If the county continues to pay the Sheriff mileage for the use of his personal vehicle, the Sheriff should not be allowed to use county fuel or the mileage rate should be adjusted accordingly.

Auditee's Response

The County Commission provided the following response:

The County Commission has talked extensively about the cost benefit of leasing the vehicle compared to purchasing outright. The County Commission has agreed to doing a cost-benefit analysis and having the Prosecuting Attorney to review any new lease agreements the county may enter into concerning the Sheriff's vehicle.

The Sheriff provided the following response:

This recommendation was implemented on January 1, 2016. Mileage for the Sheriff's car is adjusted for his county fuel use.

The insurance and maintenance for the Sheriff's car is paid by the Sheriff. Fuel logs will be modified by September 1, 2016, to include the vehicle number and badge number when tracking fuel. Currently, only the badge number is used, but the officer could be using any vehicle, including the department's Hummers. With this change, we will be able to get an accurate fuel use of all department vehicles.

A cost-benefit analysis will be performed by October 31, 2016, to determine if a lease is still beneficial for the county.

Wayne County

Organization and Statistical Information

Wayne County is a county-organized, third-class county. The county seat is Greenville.

Wayne County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 55 full-time employees (including elected officials) and 23 part-time employees on December 31, 2015.

In addition, county operations include the Law Enforcement Restitution Fund Board and the Senate Bill 40 Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Brian M. Polk, Presiding Commissioner	\$	28,400
Bill Hovis, Associate Commissioner		26,400
Chad Henson, Associate Commissioner		26,400
Cindy Stout, Recorder of Deeds		40,000
Brenda L. Seal, County Clerk		40,000
Michael L. Jackson, Prosecuting Attorney		47,000
Dean Finch, Sheriff		44,000
Carol Hale, County Treasurer		40,000
Gary Umfleet, County Coroner		12,000
Donna Eads, Public Administrator		40,000
Mary Hampton, County Collector, year ended February 29,	40,000	
Frances K. Huitt, County Assessor, year ended August 31,		38,147

Other Information

On November 3, 2015, Wayne County voters approved a one and one-half cent use tax which became effective in April 2016 for the purposes of county operations.



Office of Missouri State Auditor
Nicole Galloway, CPA

McDonald County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of McDonald County

Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of accounting and bank records. The Prosecuting Attorney has not established proper controls or procedures for receipting, recording, reconciling, and depositing monies. The Check Clerk does not generate a monthly list of unpaid bad checks and restitution, and is not proactive in identifying cases with unpaid receivables.
Sheriff's Controls and Procedures	The Sheriff has not established proper controls or procedures for receipting, recording, and depositing monies. The Sheriff's office does not have procedures to ensure all inmate monies are refunded upon release, and adequate documentation was not retained to support cash refunds of some inmate monies. A physical inventory of seized property has not been performed, and the listing of seized property maintained is not accurate.
County Collector's Controls and Procedures	The County Collector did not properly calculate some withholdings related to city taxes for assessment costs for the year ended February 29, 2016, and amounts are due from cities to the county's Assessment Fund.
Electronic Data Security	Some county offices do not have adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in some offices are not required to change passwords periodically or to have a minimum number of characters in passwords. In addition, some officials and employees share user identification and passwords. Periodic testing of backup data is not performed in all county offices.
Fuel	Mileage and fuel logs are not maintained for road and bridge department vehicles and equipment. Fuel use is not reconciled to fuel purchases.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

McDonald County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of McDonald County

We have audited certain operations of McDonald County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, LLC, Certified Public Accountants, was engaged to audit the financial statements of McDonald County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

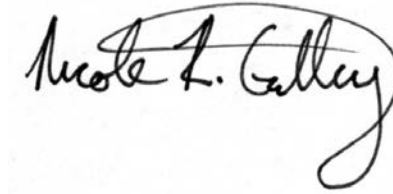
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of McDonald County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The initials "R." are written between the first and last names.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Pamela Allison, CPA
In-Charge Auditor:	Roberta Bledsoe Katelyn Crosson
Audit Staff:	Stephanie Runkle Ashley Morgan

McDonald County Management Advisory Report State Auditor's Findings

1. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$109,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.

1.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of detailed accounting and bank records. One clerk receives, records, and deposits monies received; prepares checks; and reconciles the bank account. As a result, there is little assurance that all monies received are properly recorded, deposited, and disbursed to the appropriate parties.

This clerk also has the ability to record adjustments to the computerized accounting system without obtaining independent approval. A report of adjustments made to the system is not generated and compared to supporting documentation. Reasons for adjustments in 2015 included transferring balances of cases from one computerized accounting system to another, adjusting the amounts paid, and correcting errors. At our request, office personnel generated a report of adjustments made in 2015. The report totaled approximately \$286,000.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits and a review of adjustments made to the accounting system.

1.2 Receipting, recording, reconciling, and depositing

The Prosecuting Attorney has not established proper controls or procedures for receipting, recording, reconciling, and depositing monies. We noted the following concerns:

- Manual receipt slips are issued for payments received and these transactions are later entered into the computerized accounting system. However, manual receipt slips are not reconciled with monies posted to the computerized accounting system to ensure all monies received are properly recorded.
- Checks and money orders are not restrictively endorsed.
- Monies received are not recorded in the computerized accounting system at the time of receipt. In addition, the receipt date is backdated in the computerized accounting system to agree to the actual receipt date, making it difficult to ensure all receipt numbers are accounted for



McDonald County Management Advisory Report - State Auditor's Findings

adequately. For example, receipt number 1379 was backdated to October 12, 2015, in the computerized accounting system, while receipt numbers 1378 and 1380 were dated October 14, 2015, in the system.

- Receipts are not deposited intact and timely. For example, an April 18, 2016, cash count and review of subsequent deposits determined 2 checks totaling \$97 receipted on April 12 and 18, 2016, were held and not deposited until April 27, 2016. The checks were held for 9 to 15 days, while other monies receipted from April 7 through April 18, 2016, were deposited on April 19, 2016. We also noted instances during 2015 where receipts were not deposited intact and timely.

Failure to implement adequate receipting, recording, reconciling, and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

1.3 Accounts receivable

The Check Clerk does not generate a monthly list of unpaid bad checks and restitution, and is not proactive in identifying cases with unpaid receivables. As a result, the amount of unpaid receivables is unknown and the need for follow up on specific cases may not be identified timely. Improvement is needed to better monitor and pursue collection of receivables.

A complete and accurate list of unpaid bad checks and restitution would allow the Prosecuting Attorney's office to more easily review amounts due and take appropriate steps to ensure amounts owed are collected.

Similar conditions previously reported

Similar conditions to sections 1.1 and 1.2 were noted in our prior 2 audit reports. Additionally, the *Follow-Up Report on Audit Findings - McDonald County*, Report No. 2013-044 (sections 1.1 and 1.2), issued in May 2013, reported the status, at that time, as implemented for sections 1.1 and 1.2. The current Prosecuting Attorney who took office in 2015 (subsequent to both the prior audit and follow up review) needs to take steps to correct these weaknesses.

Recommendations

The Prosecuting Attorney:

- 1.1 Segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments made to the accounting system.
- 1.2 Reconcile manual receipt slips issued to the computerized accounting system, restrictively endorse checks and money orders upon receipt, timely record all monies received in the computerized accounting system, and deposit all monies intact and timely.



McDonald County
Management Advisory Report - State Auditor's Findings

Auditee's Response

- 1.3 Maintain an accounts receivables record and establish procedures to monitor and collect accounts receivable.

- 1.1 *The office of the Prosecuting Attorney will implement procedures to ensure supervisory reviews of accounting and bank records are completed by the Prosecuting Attorney, Assistant Prosecuting Attorney, or Chief Clerk. All records will be reduced to printed form and reviews will be performed and documented on a daily basis, with verification and date of the approval so noted.*

Since, due to the lack of personnel, complete segregation of duties cannot be achieved, supervisory reviews of daily receipt activity as compared to deposits will be documented and approved on a daily basis by the Prosecuting Attorney, Assistant Prosecuting Attorney, or Chief Clerk.

Adjustment reports will be generated on a monthly basis and reviewed and approved by the Prosecuting Attorney, Assistant Prosecuting Attorney, or Chief Clerk, with verification and date of approval so noted.

- 1.2 *All manual receipt slips issued will be reconciled with monies posted to the accounting systems to ensure that all monies are properly recorded. This will be done on a daily basis. Review of this reconciliation will be conducted by the Prosecuting Attorney, Assistant Prosecuting Attorney, or Chief Clerk. Verification of the approval and date of the approval will be so noted.*

The office will implement the use of a proper stamp with which to restrictively endorse all checks and money orders received.

All monies received by the Check Clerk will be recorded in the electronic accounting system contemporaneously with recording in the one-write receipts ledger thereby avoiding discrepancies in the actual receipt date as they appear in the computerized accounting system.

Deposits will be made within five (5) days of receipt into the office.

- 1.3 *The Check Clerk will maintain an accounts receivables record and implement procedures to actively monitor and collect receivables.*



McDonald County
Management Advisory Report - State Auditor's Findings

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office processed civil and criminal process fees, concealed carry weapon (CCW) permits, bonds, inmate monies, and other miscellaneous receipts totaling approximately \$348,000 for the year ended December 31, 2015.

2.1 Receipting, recording, and depositing

The Sheriff has not established proper controls or procedures for receipting, recording, and depositing monies. We noted the following concerns:

- The method of payment is not always recorded on the receipt slips issued for CCW permits.
- Voided inmate receipt slips are not always retained.
- Bond forms are not prenumbered.
- Receipts are not deposited intact and timely. For example, an April 19, 2016, cash count and review of subsequent deposits determined cash of \$4,300 received for bonds on April 12 and 13, 2016, was not deposited until April 19, 2016. In addition, a \$100 check collected on April 8, 2016, for a CCW permit was held and not deposited until April 19, 2016, while other CCW permit monies collected on April 12, 2016, were deposited on April 13, 2016.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

2.2 Inmate monies

The Sheriff's office does not have procedures to ensure all inmate monies are refunded upon release, and adequate documentation is not always retained to support cash refunds of some inmate monies. At December 31, 2015, the Sheriff's office was holding \$1,458 for 68 inmates that had been released from jail.

Upon incarceration any monies in the custody of an inmate are receipted for deposit into the inmate account. However, inmates who are released prior to deposit of these monies are given a cash refund, and office personnel did not always retain adequate documentation to support the refunds. During November 2015, office personnel disbursed cash refunds to inmates totaling \$1,245 without adequate supporting documentation.

Establishing procedures to refund all inmate monies upon release will allow the Sheriff to more adequately safeguard any monies being held and reduce the risk of loss, theft, or misuse of funds. In addition, to facilitate the reconciliation of receipt slips issued to amounts deposited and to ensure all monies are properly accounted for, adequate supporting documentation should be obtained for all cash refunds.



McDonald County Management Advisory Report - State Auditor's Findings

2.3 Seized property

A physical inventory of seized property has not been performed, and the listing of seized property maintained is not accurate. For example, the listing indicated \$3,000 of seized cash was on hand related to 3 cases; however, the cash could not be located at the time of our review. The Sheriff subsequently provided documentation indicating the seized cash should not have been on hand or included in the seized property listing because the cases had been resolved and any seized cash was properly handled. In addition, some seized property has been held for years with some items dating back to at least 2001.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the property. Periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly. Section 542.301, RSMo, provides the requirements for the disposition of seized property that has not been forfeited or returned to the claimant.

Similar conditions previously reported

A similar condition to section 2.3 was noted in our prior 2 audit reports. Additionally, the *Follow-Up Report on Audit Findings - McDonald County*, Report No. 2013-044 (section 2.6), issued in May 2013, reported the status, at that time, as in progress for 2.3. The current Sheriff who took office in 2013 (subsequent to the prior audit and just prior to the follow up review) needs to take steps to correct this weakness.

Recommendations

The Sheriff:

- 2.1 Ensure the method of payment is recorded on receipt slips, retain voided receipt slips, issue prenumbered bond forms and account for their numerical sequence, and deposit monies intact and timely.
- 2.2 Refund all inmate monies to inmates upon release and attempt to resolve unclaimed balances of released inmates. If the payee cannot be located, the amount should be disbursed in accordance with state law. In addition, the Sheriff should obtain adequate supporting documentation for any refunds not made by check.
- 2.3 Ensure a periodic physical inventory is conducted and reconciled to the list of seized property, and investigate any differences. The Sheriff should also maintain an accurate seized property listing, and make timely and appropriate dispositions of seized property.

Auditee's Response

- 2.1 *We were not putting the word "cash" on all the CCW permit receipts that paid in cash and have started doing that.*



McDonald County Management Advisory Report - State Auditor's Findings

Voided inmate receipt slips were not always retained because the binding was inadequate and we have changed providers for the receipt books.

Bond forms were not prenumbered and we will be changing the cash bonds to reflect the receipt number given to the individual that bonds the person to be the bond number on the bond form. This way the cash bond forms can be reconciled with receipt numbers from the receipt book.

Receipts were not deposited in a timely manner. We are trying to do deposits in a timelier manner, but it is not always possible if someone is out or on vacation. All monies received though are locked into the drop safe until taken out by 2 personnel that have access to opening it and then deposits are done. In the future, we will try to deposit monies in sequence.

- 2.2 *We are working on getting a procedure set up to mail a check out to inmates when they are released and do not come back to get their money.*

We are no longer giving cash back to inmates once they are booked into the jail and are given a receipt. All monies are being dropped into the drop safe and a refund check will be written.

We have turned over unclaimed property over to the State Treasurer's Office, Unclaimed Property Section.

- 2.3 *The physical inventory is being reviewed and we are trying to get property that has been held for years disposed of as we get the orders and availability.*

The property list is not accurate because the old seized property records used would allow deputies to enter items as evidence and it would be evidence of a crime, but the items would not actually come into the evidence room. The evidence listed then would not have been pulled out of the system by the deputy and would still show up.

The cash talked about was documented in the narrative of the reports about being turned over to another agency or the victim.

The new system asks the deputy if they want to actually place the evidence into the evidence room. We will be working on getting the older evidence that is still in the old system disposed of and anything still relevant will be moved to the new system.



McDonald County
Management Advisory Report - State Auditor's Findings

3. Assessment Withholdings

The County Collector did not properly calculate some withholdings related to city taxes for assessment costs for the year ended February 29, 2016.

- The County Collector incorrectly withheld a 1 percent assessment withholding from city taxes when state law indicates a 1.5 percent withholding shall be deducted. As a result, \$1,190 was under withheld from city collections and is owed to the Assessment Fund.
- The County Collector did not withhold the 1.5 percent assessment withholding on railroad and utility tax collections related to city taxes as required by state law. As a result, \$381 was under withheld from city collections and is owed to the Assessment Fund.

Section 137.720.1, RSMo, requires a one percent withholding on all ad valorem property tax collections allocable to each taxing authority be deducted from the collections of taxes each year and deposited into the assessment fund of the county. Section 137.720.3, RSMo, requires an additional one-half percent withholding, but limits the amount deducted to \$75,000.

Recommendation

The County Collector recalculate tax withholdings distributed, and correct distributions. The County Collector should also ensure future commission and withholding calculations are accurate.

Auditee's Response

In response to our recent audit, I will be replacing the incorrect 1 percent assessment withholdings for city collections and railroad and utility collections with the correct 1.5 percent assessment withholdings. I will disburse the amount of \$1,190 and \$381 to the Assessment Fund. I have contacted our software company, and the company will correct the percentage in our system. I will ensure that all future assessment withholdings are calculated correctly. I will contact the cities to let them know that I will be correcting the percentage and withholding the amounts that are due to the Assessment Fund.

4. Electronic Data Security

Controls over county computers are not sufficient. As a result, county records are not adequately protected and are susceptible to unauthorized access or loss of data.

4.1 Passwords

The Recorder of Deeds, Prosecuting Attorney, Public Administrator, County Assessor, and County Commission have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in the Prosecuting Attorney and Public Administrator's offices are not required to change passwords periodically. Employees in the Recorder of Deeds and County Assessor's offices are not required to have a minimum number of characters in the passwords. In addition, officials and employees share user identification (ID) and passwords in the Recorder of Deeds' office and 2 County Commissioners share a user ID and password.



McDonald County
Management Advisory Report - State Auditor's Findings

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed or contain a minimum number of characters in certain offices and are shared by employees in certain offices, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

4.2 Data backup

The Sheriff, Public Administrator, and County Assessor do not perform periodic testing of backup data. To help prevent loss of information and ensure essential information and computer systems can be recovered, computer data should be backed up periodically with the backup data tested on a regular basis.

Recommendations

The County Commission work with other county officials to:

- 4.1 Require unique passwords for each employee that are confidential, contain a minimum number of characters, and are periodically changed to prevent unauthorized access to county's computers and data.
- 4.2 Ensure backup data is tested on a regular, predefined basis.

Auditee's Response

- 4.1 *We will recommend to other county officials to ensure their passwords are kept confidential, contain the minimum number of characters, and are periodically changed. We have implemented procedures to keep our passwords confidential, contain a minimum number of characters, and are changed periodically.*
- 4.2 *We will recommend to the Sheriff, Public Administrator, and County Assessor to comply with the recommendation of the State Auditor.*

5. Fuel

The county lacks adequate procedures to account for bulk fuel use by the road and bridge department. The county has 2 bulk diesel fuel tanks located at the road and bridge department buildings and 6 bulk diesel fuel tanks located at employee residences. The county utilizes a mobile tank to haul fuel from the tanks at the road and bridge department buildings to the tanks located at employee residences. The county purchases unleaded fuel for the road and bridge department from local gas stations. The road and bridge department maintains 25 vehicles and 28 pieces of equipment. Fuel purchases totaled approximately \$97,500 during the year ended December 31, 2015.



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Management Advisory Report - State Auditor's Findings

Mileage and fuel logs are not maintained for road and bridge department vehicles and equipment. While logs of fuel pumped from the tanks located at the road and bridge department buildings are maintained, logs of fuel pumped and used from tanks located at employee residences are not maintained. As a result, fuel use is not reconciled to fuel purchases.

Mileage and fuel logs are necessary to document the appropriate use of vehicles and equipment and to support fuel purchases. Without sufficient information the county cannot evaluate the propriety and reasonableness of fuel pumped/used or reconcile amounts used to fuel billings. Failure to account for fuel purchases and fuel usage could result in loss, theft or misuse going undetected.

A similar condition was noted in our prior audit report.

Recommendation

The County Commission require mileage and fuel logs be maintained and ensure fuel logs are reconciled to fuel purchases. Any significant discrepancies should be investigated.

Auditee's Response

We have installed meters on all of the fuel tanks and established fuel logs for all the fuel tanks, vehicles, and equipment. We will reconcile fuel usage to purchases monthly and investigate and document any differences.

McDonald County

Organization and Statistical Information

McDonald County is a county-organized, third-class county. The county seat is Pineville.

McDonald County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 92 full-time employees (including elected officials) and 13 part-time employees on December 31, 2015.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Keith Lindquist, Presiding Commissioner	\$	30,380
John Bunch, Associate Commissioner		28,380
David Holloway, Associate Commissioner		28,380
Kenny Underwood, Recorder of Deeds		43,000
Kimberly Bell, County Clerk		43,000
Bill Dobbs, Prosecuting Attorney		135,059
Mike Hall, Sheriff		48,000
Joye Helm, County Treasurer		43,000
B.J. Goodwin III, County Coroner		15,000
Donna Underwood, Public Administrator		43,000
Jennifer Weber, County Collector, year ended February 29,	43,000	
Laura Pope, County Assessor, year ended August 31,		43,000
Travis Green, County Surveyor (1)		

(1) Compensation on a fee basis.



Office of Missouri State Auditor
Nicole Galloway, CPA

**Monthly Report on Municipal Court
and Revenue Filings
August 2016**

Report No. 2016-100
September 2016

auditor.mo.gov

Monthly Report on Municipal Court and Revenue Filings

August 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this compilation is to report the filing status for the cities, towns, and villages with a February 29, 2016, fiscal year end, that were required to file a financial report by August 31, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030, and, when applicable, a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180. The filing status for these 10 cities and villages are presented in summary on page 3 and by individual entity in Appendix A. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them.

Section 479.362, RSMo, provides that the State Auditor's Office (SAO) notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the addendum provision of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, and will not be transmitting any information related to the addendum under Section 479.359, RSMo, to the Department of Revenue.

This report also includes the updated filing status for cities, towns, and villages that filed at least one of the items (financial report, addendum, or certification) in August 2016, after their filing deadline. The filing status for these 19 cities and 3 villages is presented in summary on page 3 and by individual entity in Appendix B, Appendix C, and Appendix D.

Nicole R. Galloway, CPA
State Auditor

The following staff participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
General Counsel: Paul Harper, JD
Senior Analyst: Jill Wilson, MBA

Monthly Report on Municipal Court and Revenue Filings

August 2016

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359.1, RSMo, effective August 28, 2015, requires every county, city, town, and village to annually calculate the percentage of its annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations.

Section 479.359.3 provides that all municipalities file an addendum to the annual financial report containing (1) annual general operating revenue; (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations; and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the provisions of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, but has identified entities filing addendums.

Section 479.360, RSMo, effective August 28, 2015, requires every county, city, town, and village that operates a municipal court to file with its annual financial report a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. 15 CSR 40-3.180 provides the procedure to file the municipal court certification. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

This report includes the filing status for the 10 cities, towns, and villages with a fiscal year end of February 29, 2016, whose financial reports or certifications were due by August 31, 2016. Of the 10 entities, 3 filed an annual financial report and 1 entity filed an addendum. A municipal court certification was required to be filed by 4 of the 10 entities, of which none were filed. No counties had to file within the reporting period of this report.

This report also includes the filing status for 19 cities and 3 villages that filed at least one of the items (financial report, addendum, or certification) in August 2016, after their filing deadline. Of these entities, 16 filed an annual financial report, 4 filed an addendum, and 9 filed a municipal court certification.

Appendix A

Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due August 31, 2016

Fiscal Year Ended February 29, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Fillmore	No	Yes	n/a
City of Knox City	Yes	—	n/a
City of Pasadena Hills	No	—	No
City of Vandalia	No	—	No
Village of Chain of Rocks	No	—	n/a
Village of Freeburg	No	—	n/a
Village of Oaks	Yes	—	n/a
Village of Oakwood Park	No	—	n/a
Village of Uplands Park	No	—	No
Village of Vinita Terrace	Yes	—	No
Total Filed	3	1	0
Total Not Filed	7		4
Total N/A	0		6

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

n/a Entities without a municipal judge are not required to file a certification.

Appendix B

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due June 30, 2016

Filed in August 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Van Buren	No	—	Yes
City of Gerald	**	—	Yes
City of Pevely	Yes	—	Yes
Village of Lake Tekakwitha	Yes	Yes	n/a
City of Leeton	Yes	Yes	n/a
City of Edina	Yes	—	n/a
City of Elsberry	Yes	—	**
City of Moscow Mills	Yes	**	**
City of Matthews	Yes	**	**
City of Dearborn	Yes	Yes	Yes
City of Weston	**	**	Yes
City of St. Paul	Yes	—	n/a
Village of Riverview	**	—	Yes
City of Blackburn	**	—	Yes
City of Slater	Yes	Yes	Yes
City of Galena	Yes	**	***
City of Merriam Woods	Yes	—	No
Village of Worth	Yes	—	n/a
Total Filed During August 2016	13	4	8

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by June 30, 2016

*** Filed after June 30, 2016, but before August 1, 2016

n/a Entities without a municipal judge are not required to file a certification.

Appendix C

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due March 31, 2016

Filed in August 2016

Fiscal Year Ended September 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Dixon	No	—	Yes
City of Rolla	Yes	**	**
Total Filed During August 2016	1	0	1

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by March 31, 2016

Appendix D

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due On or Before December 31, 2015

Filed in August 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*^	Filed Certification^
Fiscal Year Ended March 31, 2015			
City of Norborne	Yes	***	n/a
Fiscal Year Ended June 30, 2015			
City of Green Ridge	Yes	—	***
Total Filed during August 2016	2	0	0

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

^ 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the SAO addendum and certification forms by cities, towns, or villages with a fiscal year end before August 28, 2015.

*** Filed after December 31, 2015, but before August 1, 2016

n/a Entities without a municipal judge are not required to file a certification.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Putnam County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Putnam County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the year ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Lisa C Wright, LLC, Certified Public Accountant, is attached.

Nicole R. Galloway, CPA
State Auditor

September 2016
Report No. 2016-101

Putnam County, Missouri
December 31, 2015
Financial Statements

Prepared by:
Lisa C. Wright, CPA, LLC
Certified Public Accountant
Columbia, MO

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American Society of
Certified Public
Accountants

Member of the Missouri
Society of Certified
Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the County Commission and
Officeholders of Putnam County
Unionville, Missouri

I have audited the accompanying financial statements of Putnam County, Missouri as of December 31, 2015 for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri Law, which practice differs from accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based upon my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. Procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Putnam County, Missouri, using accounting practices prescribed or permitted by Missouri law, which is a basis of accounting other than the accounting principles generally accepted in the United States of America. The effects of the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the County, as of and for year ended December 31, 2015 or changes in the financial position for the year ended then.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investments balances of each fund of the County, as of the year ended December 31, 2015, and their respective cash receipts and disbursements and the budgetary results for the year then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note 1.

Other Matters

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Putnam County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 13, 2016, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Lisa C. Wright, CPA, LLC
Columbia, MO
July 13, 2016



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Putnam County, Missouri
Statement of Receipts, Disbursements and Changes in Cash and Investments-
All Governmental Funds: Regulatory Basis
For the Year Ended December 31, 2015

Fund	Cash and Investments				Cash and Investments
	January 1, 2015	Receipts	Disbursements		December 31, 2015
General Revenue Fund	\$ 612,375	\$ 1,071,389	\$ 987,974	\$	695,790
Special Road and Bridge Fund	262,900	1,964,096	2,179,859	\$	47,137
Assessment Fund	18,947	124,986	120,396		23,537
Law Enforcement Fund	37,926	317,382	277,916		77,392
K-9 Fund	1,477	2	379		1,100
Juvenile Restitution Fund	2,514	55	-		2,569
LEPC Fund	5,319	2,222	931		6,610
911 Fund	34,650	286,735	224,089		97,296
Election Services Fund	2,536	382	-		2,918
Tax Maintenance Fund	14,859	9,836	9,030		15,665
Senior Citizens Fund	27,464	35,987	43,651		19,800
Sheriff Revolving Fund	2,299	8,731	2,303		8,727
Law Enforcement Restitution Fund	1,040	4,650	2,400		3,290
Police Training Fund	1,267	730	687		1,310
Prosecuting Attorney Training Fund	3,170	189	-		3,359
Victims of Domestic Violence Fund	75	180	180		75
Record Preservation Fund	14,140	2,436	4,890		11,686
Technology Fund	11,972	1,451	-		13,423
Prosecuting Attorney Bad Check Fund	10,871	3,488	979		13,380
Sherriff Civil Fees Fund	13,159	1,814	200		14,773
Deputy Supplemental Salary Fund	80	1,774	1,467		387
Total	\$ 1,079,040	\$ 3,838,515	\$ 3,857,331	\$	1,060,224

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in
Cash and Investments-Budget and Actual - General Revenue Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ 380,000	\$ 457,550	\$ 77,550
Taxes-Property	295,000	295,142	142
Intergovernmental Revenue	32,000	39,076	7,076
Charges for Services	222,075	182,475	(39,600)
Interest Income	250	638	388
Other	55,890	96,508	40,618
Total Receipts	<u>985,215</u>	<u>1,071,389</u>	<u>86,174</u>
Disbursements			
County Commission	77,205	76,734	(471)
County Clerk	109,023	105,360	(3,663)
Elections	57,800	48,956	(8,844)
Buildings and Grounds	212,179	125,283	(86,896)
Employee Fringe Benefits	24,722	22,856	(1,866)
County Treasurer	100,210	91,566	(8,644)
Recorder of Deeds	54,550	47,953	(6,597)
Circuit Clerk	20,400	11,204	(9,196)
Court Administration	8,246	3,523	(4,723)
Public Administrator	20,310	19,908	(402)
Prosecuting Attorney	89,513	85,663	(3,850)
Juvenile Officer	28,617	9,656	(18,961)
County Coroner	10,900	10,227	(673)
Emergency Fund	30,051	-	(30,051)
Miscellaneous/Gas Expense/Audit	19,000	10,196	(8,804)
Dues & Memberships	3,402	3,750	348
Publications/Plat Maps & Plat Books	5,500	2,639	(2,861)
Attorney Fees	20,000	5,791	(14,209)
PA Retirement	2,244	2,244	-
PC Extension	31,000	31,000	-
PC Soil	3,000	3,000	-
Senior Center	2,000	2,000	-
GHCAA/Ministerial Alliance	1,500	1,500	-
Autopsy	4,725	1,575	(3,150)
Assessor	12,877	12,877	-
Financial Institution Tax	-	3	3
Hospital Sales Tax	190,000	228,774	38,774
Bond Expense	1,000	406	(594)
Private Rail Car Tax	10,700	10,491	(209)
Elevator Phone	350	375	25
TIF Expense	1,000	432	(568)
Hospital Local Use Tax	9,000	11,893	2,893
Court Reporter	1,080	139	(941)
Total Disbursements	<u>1,162,104</u>	<u>987,974</u>	<u>(174,130)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(176,889)</u>	<u>83,415</u>	<u>260,304</u>
Cash and Investments-January 1	612,375	612,375	-
Transfers In	16,500	-	(16,500)
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 451,986</u>	<u>\$ 695,790</u>	<u>\$ 243,804</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual - Special Road and Bridge Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ 100,715	\$ 100,715	\$ -
Taxes-Property	45,201	45,201	-
Intergovernmental Revenue	1,754,693	1,754,692	(1)
Charges for Services	-	-	-
Interest Income	225	225	-
Other	63,003	63,263	260
Total Receipts	<u>1,963,837</u>	<u>1,964,096</u>	<u>259</u>
Disbursements			
Annual Salaries for employees	\$ 94,900	94,900	-
Employee Fringe Benefits	7,260	7,260	-
Supplies	13,684	13,966	282
Insurance	2,453	2,454	1
Road and Bridge Materials	481,704	481,790	86
Equipment Repairs	55,000	54,998	(2)
80/20 Set Aside	1,335,199	1,335,198	(1)
Brush Removal	900	900	-
Mileage	-	-	-
FEMA Cart Expenditures	2,950	2,949	(1)
FEMA Structural Expenditures	185,444	185,444	-
Total Disbursements	<u>2,179,494</u>	<u>2,179,859</u>	<u>365</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(215,657)</u>	<u>(215,763)</u>	<u>(106)</u>
Cash and Investments-January 1	262,899	262,900	1
Transfers In	-	-	-
Transfers Out	16,500	-	(16,500)
Cash and Investments-December 31	<u>\$ 30,742</u>	<u>\$ 47,137</u>	<u>\$ (16,605)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual - Assessment Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenue	120,153	117,287	(2,866)
Charges for Services	5,245	5,520	275
Interest Income	23	30	7
Other	125	2,150	2,025
Total Receipts	<u>125,546</u>	<u>124,987</u>	<u>(559)</u>
Disbursements			
Assessor	128,339	120,396	(7,943)
Total Disbursements	<u>128,339</u>	<u>120,396</u>	<u>(7,943)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(2,793)</u>	<u>4,591</u>	<u>7,384</u>
Cash and Investments-January 1	18,947	18,947	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 16,154</u>	<u>\$ 23,537</u>	<u>\$ 7,384</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual - Law Enforcement Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ 199,000	\$ 240,671	\$ 41,671
Charges for Services	7,800	10,927	\$ 3,127
Interest Income	10	75	65
Other	47,200	65,709	18,509
Total Receipts	<u>254,010</u>	<u>317,382</u>	<u>63,372</u>
Disbursements			
Sheriff	39,000	39,000	-
Chief Deputy	31,570	32,770	1,200
Secretary	27,570	27,570	-
Deputy	25,570	28,647	3,077
FICA	9,850	10,278	428
Reserve Deputy	5,000	6,360	1,360
Office Expenses	4,000	2,750	(1,250)
Equipment	4,000	4,396	396
Training	4,000	1,850	(2,150)
Uniforms	2,000	4,165	2,165
Postage	150	101	(49)
Telephone	5,000	5,323	323
Dues & Memberships	-	250	250
Radio Repair	3,000	-	(3,000)
Board of Prisoners	35,000	41,291	6,291
Prisoner Care	20,000	13,131	(6,869)
Jail Supplies & Repairs	2,000	3,036	1,036
Car Repairs	6,000	9,450	3,450
TIF Reimb to City	800	587	(213)
Car Insurance	3,677	3,677	-
Gas Expense	17,000	13,153	(3,847)
Misc	-	60	60
Extradition Costs	1,500	975	(525)
Liability Ins	5,096	5,096	-
Dispatching Costs to E911	24,000	24,000	-
Total Disbursements	<u>275,783</u>	<u>277,916</u>	<u>2,133</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(21,773)</u>	<u>39,466</u>	<u>61,239</u>
Cash and Investments-January 1	37,926	37,926	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 16,153</u>	<u>\$ 77,392</u>	<u>\$ 61,239</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual - K-9 Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	2	2
Other	100	-	(100)
Total Receipts	<u>100</u>	<u>2</u>	<u>(98)</u>
Disbursements			
Publications	300	-	(300)
Misc	200	379	179
Total Disbursements	<u>500</u>	<u>379</u>	<u>(121)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(400)</u>	<u>(377)</u>	<u>23</u>
Cash and Investments-January 1	1,477	1,477	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 1,077</u>	<u>\$ 1,100</u>	<u>\$ 23</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual - Juvenile Restitution Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	4	4
Other	2,500	51	(2,449)
Total Receipts	<u>2,500</u>	<u>55</u>	<u>(2,445)</u>
Disbursements			
Misc	2,500	-	(2,500)
Total Disbursements	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>-</u>	<u>55</u>	<u>55</u>
Cash and Investments-January 1	2,513	2,514	1
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 2,513</u>	<u>\$ 2,569</u>	<u>\$ 56</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in
Cash and Investments - Budget and Actual - LEPC Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	4	10	6
Other	3,000	2,212	(788)
Total Receipts	<u>3,004</u>	<u>2,222</u>	<u>(782)</u>
Disbursements			
Office Supplies	200	41	(159)
Telephone/Fax	300	240	(60)
Postage	100	3	(97)
Publications	100	18	(82)
Misc	1,100	600	(500)
Mileage	350	29	(321)
Training	2,000	-	(2,000)
Dues & Memberships	50	-	(50)
Meals	-	-	-
New Equipment	1,000	-	(1,000)
Equipment Repair	150	-	(150)
Total Disbursements	<u>5,350</u>	<u>931</u>	<u>(4,419)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(2,346)</u>	<u>1,291</u>	<u>3,637</u>
Cash and Investments-January 1	5,319	5,319	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 2,973</u>	<u>\$ 6,610</u>	<u>\$ 3,637</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and
Changes in Cash and Investments - Budget and Actual - 911 Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Property	\$ -	\$ -	\$ -
Taxes-Sales	230,000	240,668	10,668
Intergovernmental Revenues	9,200	-	(9,200)
Charges for Services	40,500	44,400	3,900
Interest Income	500	56	(444)
Other	700	1,611	911
Total Receipts	<u>280,900</u>	<u>286,735</u>	<u>5,835</u>
Disbursements			
Salary	163,000	154,307	(8,693)
Office	4,000	3,731	(269)
Equipment	51,000	32,255	(18,745)
Mileage and Training	3,500	3,751	251
Telephone	25,000	26,097	1,097
Other	5,000	688	(4,312)
Insurance	6,500	3,260	(3,240)
Total Disbursements	<u>258,000</u>	<u>224,089</u>	<u>(33,911)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>22,900</u>	<u>62,646</u>	<u>39,746</u>
Cash and Investments-January 1	34,465	34,650	185
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 57,365</u>	<u>\$ 97,296</u>	<u>\$ 39,931</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in
Cash and Investments-Budget and Actual - Election Services Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	2	4	2
Other	400	378	(22)
Total Receipts	402	382	(20)
Disbursements			
Election Expense	150	-	(150)
Equipment Repairs	100	-	(100)
Part Time	150	-	(150)
Total Disbursements	400	-	(400)
Excess (Deficiency) of Receipts Over Disbursements	2	382	380
Cash and Investments-January 1	2,535	2,536	1
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	\$ 2,537	\$ 2,918	\$ 381

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in
Cash and Investments - Budget and Actual - Tax Maintenance Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	12	28	16
Other-Tax Maintenance 2/7 Add On	9,000	9,808	808
Total Receipts	<u>9,012</u>	<u>9,836</u>	<u>824</u>
Disbursements			
Tax Maintenance	14,000	9,030	(4,970)
Total Disbursements	<u>14,000</u>	<u>9,030</u>	<u>(4,970)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(4,988)</u>	<u>806</u>	<u>5,794</u>
Cash and Investments-January 1	14,858	14,859	1
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 9,870</u>	<u>\$ 15,665</u>	<u>\$ 5,795</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in
Cash and Investments - Budget and Actual - Senior Citizens Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	33,000	35,955	2,955
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	30	32	2
Other	-	-	-
Total Receipts	<u>33,030</u>	<u>35,987</u>	<u>2,957</u>
Disbursements			
Budgeted Allotments	38,000	43,590	5,590
Publications	100	-	(100)
Dues & Memberships	-	-	-
Mileage & Training	500	61	(439)
Total Disbursements	<u>38,600</u>	<u>43,651</u>	<u>5,051</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(5,570)</u>	<u>(7,664)</u>	<u>(2,094)</u>
Cash and Investments-January 1	27,464	27,464	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 21,894</u>	<u>\$ 19,800</u>	<u>\$ (2,094)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in
Cash and Investments - Budget and Actual - Sheriff Revolving Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	4,000	8,731	4,731
Total Receipts	4,000	8,731	4,731
Disbursements			
MULES	1,500	2,303	803
Live Scan	-	-	-
Office Supplies	1,500	-	(1,500)
Total Disbursements	3,000	2,303	(697)
Excess (Deficiency) of Receipts Over Disbursements	1,000	6,428	5,428
Cash and Investments-January 1	2,299	2,299	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	\$ 3,299	\$ 8,727	\$ 5,428

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and
Investments - Budget and Actual - Law Enforcement Restitution Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	3	3
Other	1,500	4,647	3,147
Total Receipts	<u>1,500</u>	<u>4,650</u>	<u>3,150</u>
Disbursements			
Office Supplies	-	-	-
Office Equip & Repairs	-	-	-
Dues & Memberships	2,400	2,400	-
Live Scan	-	-	-
Total Disbursements	<u>2,400</u>	<u>2,400</u>	<u>-</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(900)</u>	<u>2,250</u>	<u>3,150</u>
Cash and Investments-January 1	1,040	1,040	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 140</u>	<u>\$ 3,290</u>	<u>\$ 3,150</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in
Cash and Investments - Budget and Actual - Police Training Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	2	2
Other	1,000	728	(272)
Total Receipts	<u>1,000</u>	<u>730</u>	<u>(270)</u>
Disbursements			
Sheriff Department Training	2,000	687	(1,313)
Total Disbursements	<u>2,000</u>	<u>687</u>	<u>(1,313)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(1,000)</u>	<u>43</u>	<u>1,043</u>
Cash and Investments-January 1	1,267	1,267	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 267</u>	<u>\$ 1,310</u>	<u>\$ 1,043</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and
Investments - Budget and Actual - Prosecuting Attorney Training Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	5	5
Other	250	184	(66)
Total Receipts	<u>250</u>	<u>189</u>	<u>(61)</u>
Disbursements			
Training	600	-	(600)
Total Disbursements	<u>600</u>	<u>-</u>	<u>(600)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(350)</u>	<u>189</u>	<u>539</u>
Cash and Investments-January 1	3,169	3,170	1
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 2,819</u>	<u>\$ 3,359</u>	<u>\$ 540</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri

Comparative Statement of Receipts, Disbursements, and Changes in
Cash and Investments-Budget and Actual - Victims of Domestic Violence Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	200	180	(20)
Total Receipts	200	180	(20)
Disbursements			
GHCAA Request for Funds	275	180	(95)
Total Disbursements	275	180	(95)
Excess (Deficiency) of Receipts Over Disbursements	(75)	-	75
Cash and Investments-January 1	75	75	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	\$ -	\$ 75	\$ 75

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in
Cash and Investments - Budget and Actual - Record Preservation Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	20	16	(4)
Other	2,500	2,420	(80)
Total Receipts	<u>2,520</u>	<u>2,436</u>	<u>(84)</u>
Disbursements			
Clerical Help	-	-	-
Training & Mileage	500	-	(500)
Office Expenses	-	-	-
Equipment Expenses	5,000	4,890	(110)
Total Disbursements	<u>5,500</u>	<u>4,890</u>	<u>(610)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(2,980)</u>	<u>(2,454)</u>	<u>526</u>
Cash and Investments-January 1	14,139	14,140	1
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 11,159</u>	<u>\$ 11,686</u>	<u>\$ 527</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in
Cash and Investments - Budget and Actual - Technology Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	10	18	8
Other	1,500	1,433	(67)
Total Receipts	<u>1,510</u>	<u>1,451</u>	<u>(59)</u>
Disbursements			
Equipment Miscellaneous	1,450	-	(1,450)
Total Disbursements	<u>1,450</u>	<u>-</u>	<u>(1,450)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>60</u>	<u>1,451</u>	<u>1,391</u>
Cash and Investments-January 1	11,972	11,972	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 12,032</u>	<u>\$ 13,423</u>	<u>\$ 1,391</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and
Investments - Budget and Actual - Prosecuting Attorney Bad Check Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	13	13
Other	3,500	3,475	(25)
Total Receipts	<u>3,500</u>	<u>3,488</u>	<u>(12)</u>
Disbursements			
Computer Equipment	600	-	(600)
Child Support	-	-	-
Meeting & Training	50	-	(50)
Statutes & Law Books	-	-	-
Additional Bad Check Fees	-	-	-
Misc	-	979	979
Cell Phone	-	-	-
Meals	-	-	-
Office Equipment	-	-	-
Total Disbursements	<u>650</u>	<u>979</u>	<u>329</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>2,850</u>	<u>2,509</u>	<u>(341)</u>
Cash and Investments-January 1	10,871	10,871	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 13,721</u>	<u>\$ 13,380</u>	<u>\$ (341)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and
Investments - Budget and Actual - Sheriff Civil Fees Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	17	17
Other	3,000	1,797	(1,203)
Total Receipts	<u>3,000</u>	<u>1,814</u>	<u>(1,186)</u>
Disbursements			
Training and Repairs, Uniforms	3,000	200	(2,800)
Total Disbursements	<u>3,000</u>	<u>200</u>	<u>(2,800)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>-</u>	<u>1,614</u>	<u>1,614</u>
Cash and Investments-January 1	13,159	13,159	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 13,159</u>	<u>\$ 14,773</u>	<u>\$ 1,614</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and
Investments - Budget and Actual - Deputy Supplemental Salary Fund
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	2,500	1,774	(726)
Total Receipts	<u>2,500</u>	<u>1,774</u>	<u>(726)</u>
Disbursements			
Fees Collected by Sheriff	2,500	1,467	(1,033)
Total Disbursements	<u>2,500</u>	<u>1,467</u>	<u>(1,033)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>-</u>	<u>307</u>	<u>307</u>
Cash and Investments-January 1	80	80	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Investments-December 31	<u>\$ 80</u>	<u>\$ 387</u>	<u>\$ 307</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Putnam County, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Putnam County, Missouri (“County”) is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, Collector/Treasurer, County Clerk, Circuit Clerk, Coroner, Prosecuting Attorney, Public Administrator, Recorder, and Sheriff.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the use of the cash basis of accounting.

Reporting Entity

The County’s operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Putnam County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the County’s legal entity.

Certain elected County officials, particularly the County Collector/Treasurer and Sheriff, collect and hold monies in a trustee capacity as an agent of individual taxing units or other governments, these assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Putnam County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senior Citizens Board. The General Revenue Fund is the county’s general operation fund, accounting for all financial resources except those whose use is restricted for specified purposes.

Basis of Accounting

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Putnam County, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Putnam County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Budgets and Budgetary Accounting

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50, (Sections 50.525 through 50.745, RSMo), the County adopts a budget for various County funds.
- 2) On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
- 3) The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
- 4) State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
- 5) A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
- 6) Prior to February 1, the budget is legally enacted by a vote of the County Commission.
- 7) Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
- 8) Budgets are prepared on a cash basis of accounting.

Putnam County, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 9) Adoption of the formal budget is required by law.
- 10) Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the Special Road and Bridge Fund, Senior Citizens Fund, Law Enforcement Fund and the Prosecuting Attorney Bad Check Fund.

Long-Term Debt

Consistent with the regulatory basis of accounting, long-term debt is not reported in the financial statements. Proceeds from debt issuances are reported when received, and payments of principle and interest are reported when disbursements are made.

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principle and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Putnam County's name at third-party banking institutions.

Details of these cash balances are presented in Note 2.

Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

NOTE 2 - CASH AND INVESTMENTS

Investments and Custodial Credit Risk

The County's deposits were fully secured as of December 31, 2015. Of the bank balance, \$250,000 was covered by federal depository insurance and \$3,904,221 was covered by collateral held by the County's safekeeping agent in the County's name at December 31, 2015.

Putnam County, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - CASH AND INVESTMENTS (continued)

The County Collector deposits at December 31, 2015 were not exposed to custodial credit risk because they were entirely covered by federal depository insurance, by collateral securities held by the county or a custodial bank in the County's name.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city having a population of not less than two thousand, county, school district, or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits.

The County may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing or becoming payable not more than three years from the date of the purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by the U.S. Treasury obligations of the U.S. government agencies or instrumentalities of any maturity, as provided by law. As of December 31, 2015 the County had \$4,069,766 respectively invested in overnight repurchase agreements.

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. Putnam County's investment policy does not include custodial credit risk requirements. Putnam County's deposits were not exposed to custodial credit risk for the year ended December 31, 2015.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Putnam County or its agent but not in the government's name. Putnam County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Putnam County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Putnam County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Putnam County, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

Concentration of credit risk is required to be disclosed by Putnam County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Putnam County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the year ended December 31, 2015.

NOTE 3 - TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within Putnam County's boundaries for the calendar year 2015 for the purposes of county taxation was as follows:

Real Estate	\$ 60,850,866
Personal Property	19,019,152
Railroad and Utilities	2,605,019
Total	<u>\$ 82,475,037</u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2015 for the purpose of County taxation was as follows:

General Revenue Fund	\$.4771
Senior Citizens Fund	.0477

The county also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

Putnam County, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 4– COUNTY EMPLOYEES’ RETIREMENT FUND (CERF)

Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, county sheriffs covered under Sections 57.949 to 57.997, RSMo, circuit clerks and deputy circuit clerks covered under Missouri State Retirement System and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and prior plan’s formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefits is allowed. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employees’ Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, Missouri 65101, or by calling 1-877-632-2373.

Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to CERF. Eligible employees hired before February 2002 were not required to contribute, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in CERF. During 2015, the County collected and remitted to CERF employee contributions of approximately \$27,082.

Putnam County, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 5—LONG-TERM DEBT

Bonds Payable:

A summary of bond transactions for the year ended December 31, 2015 is as follows:

Bonds Payable, January 1, 2015	\$ 7,330,000
Add: Bonds Issued	-
Less: Bonds Retired	(300,000)
Bonds Payable, December 31, 2015	<u>\$7,030,000</u>

Debt service requirements to maturity are:

For the Year Ended <u>December 31</u>	Principal	Interest	Total
2016	\$ 310,000	\$ 277,556	\$ 587,556
2017	325,000	268,256	593,256
2018	330,000	258,506	588,506
2019	340,000	248,606	588,606
2020	350,000	238,406	588,406
2021-2025	1,935,000	1,010,888	2,945,888
2026-2030	2,340,000	608,500	2,948,500
2031-2032	1,100,000	83,250	1,183,250
Total	<u>\$7,030,000</u>	<u>\$2,993,968</u>	<u>\$10,023,968</u>

NOTE 6 – RISK MANAGEMENT

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

Putnam County, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 7 – PRIOR PERIOD ADJUSTMENT

Beginning Cash balance of the County has been restated due to inclusion of all items related to the 911 Fund. The net effect of this adjustment will increase the beginning cash and investments of the County. This adjustment will have no material effect of the operation of the County.

Cash and Investment balance for 911 Fund stated – December 31, 2014	\$ 0
Prior Period Adjustment	34,650
Total Cash and Investment, as Restated – December 31, 2014	\$ 34,650

NOTE 8 – CLAIMS, COMMITMENTS AND CONTINGENCIES

Compensated Absences

The County provides full time employees with up to 20 days of sick time- to accrue at one day per complete calendar month of employment. Permanent part-time employees accrue sick leave proportional to hours worked. Upon termination of employment, the employee will be compensated at \$10.00 per day of accrued sick time. Vacation time is accrued for full-time regular employees after a six month probationary period based on years of employment with the County. After one year of employment, one week may be taken. After two years, and each year thereafter, two weeks of eligibility is earned. Upon termination, the employee is compensated for accrued vacation time at the employee's final rate of pay, up to a maximum of four weeks.

Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

Subsequent Events

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through July 13, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the County Commission and
Officeholders of Putnam County
Unionville, Missouri

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Putnam County, Missouri as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise Putnam County, Missouri's basic financial statements, and have issued my report thereon, dated July 13, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements I considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, I do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my testing disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 15-1.

Putnum County's Response to Findings

The County's response to a finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entities internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entities internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lin C. Wynter, CPA, LLC
Columbia, MO
July 13, 2016





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR A MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
UNIFORM GUIDANCE**

To the County Commission and Officeholders of
Putnam County, Missouri
Unionville, Missouri

Report on Compliance for A Major Federal Program

I have audited Putnam County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2015. Putnam County, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility.

Management is responsible for the compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the County's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the County's major federal program. However, my audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In my opinion, the County of Putnam, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.



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Report on Internal Control over Compliance

Management of the Putnam County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lisa C. Wright, CPA, LLC
Columbia, MO
July 13, 2016

Putnam County, Missouri
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM NAME	CFDA Number	Pass-Through Entity Number	Federal Expenditures for Year Ended December 31, 2015
<u>U.S. Department of Transportation</u>			
Passed through: Missouri Highway and Transportation Commission			
Program Name: Highway Planning and Construction	20.205 20.205	BRO- (25) BRO- (26)	\$ 818,373 516,825
Total U.S. Department of Transportation			1,335,198
<u>U.S. Department of Homeland Security</u>			
Passed Through State Department of Public Safety Program Name: Disaster Grants-Public Assistance Grants	97.036		185,443
Total Expenditures of Homeland Security			185,443
Total Expenditures of Federal Awards			\$ 1,520,641

Putnam County, Missouri
Notes to Schedule of Expenditures of Federal Awards
December 31, 2015

Note 1- Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Matching Requirements

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the federally funded programs. The County has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

Subrecipients

The County provided no federal awards to subrecipients during the year ended December 31, 2015.

Putnam County, Missouri

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

Section 1 – Summary of Auditor’s Results

Financial Statement

Type of auditor’s report issued	Unmodified Regulatory Basis
Internal control over financial reporting	
Material weakness(es) identified?	2015 <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiencies identified that were not considered to be material weaknesses?	2015 <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Any noncompliance material to financial Statements noted?	2015 <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	2015 <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiencies identified that were not considered to be material weaknesses?	2015 <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Type of auditor’s report issued on Compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?	2015 <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Identification of Major Programs

<u>CFDA Number</u>	<u>Year</u>	<u>Name of Federal Program or Cluster</u>
20.205	2015	Highway Planning and Construction

Dollar threshold used to distinguish Between type A and type B programs:	<u>\$300,000</u>
--	------------------

Auditee qualified as low-risk auditee?	2015 <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--	--

Putnam County, Missouri
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2015

Section 2-Financial Statement Findings

15-1 Condition: We noted an issue with the County's budgetary process. Special Road and Bridge Fund, Senior Citizens Fund, Law Enforcement Fund, and the Prosecuting Attorney Bad Check Fund all had actual expenditures greater than budgeted expenditures.

Effect: Section 50.740 RSMo prohibits expenditures in excess of approved budgets. Additionally, case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved including holding public hearings and filing the amended budget with the State Auditor's Office.

Cause: Oversight

Recommendation: We recommend that the County ensure compliance with State Statutes by refraining from approving expenditures in excess of budgeted amounts. In the event that the originally adopted budget is inadequate to finance current year unforeseen expenditures, budgetary amendments should be discussed in public meeting and formally adopted by the County Commission.

Management's Response: We will continue to assess the situation.

Section 3:

This section contains no audit findings that *Uniform Guidance* requires to be reported for an audit of financial statements.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Oregon County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Oregon County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Lisa C Wright, LLC, Certified Public Accountant, is attached.

Nicole R. Galloway, CPA
State Auditor

September 2016
Report No. 2016-102

Oregon County, Missouri
December 31, 2015 and December 31, 2014
Financial Statements

Prepared by:
Lisa C. Wright, CPA, LLC
Certified Public Accountant
Columbia, MO

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INDEPENDENT AUDITOR'S REPORT

To the County Commission and
Officeholders of Oregon County
Alton, Missouri

I have audited the accompanying financial statements of Oregon County, Missouri as of and for the years ended December 31, 2015 and December 31, 2014 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as identified in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based upon my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Oregon County, Missouri, using accounting practices prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the County, as of December 31, 2015 and 2014, or the changes in its financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of the County, as of December 31, 2015 and 2014, and the respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

Other Matters-Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Oregon County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *Audits of State and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated August 15, 2016, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Lisa C. Wright, CPA, LLC

August 15, 2016

County of Oregon, Missouri
Statement of Receipts, Disbursements and Changes in Cash-
All Governmental Funds: Regulatory Basis
For the Year Ended December 31, 2015

Fund	Cash and Investments	Receipts	Disbursements	Cash and Investments
	January 1, 2015			December 31, 2015
General Revenue Fund	\$ 1,039,732	\$ 1,468,387	\$ 1,096,468	\$ 1,411,651
Road and Bridge Fund	552,984	820,905	974,483	399,406
Assessment Fund	3,725	147,674	151,399	-
Unclaimed Fees Fund	214	151	188	177
Prosecuting Attorney Training Fund	2,292	211	466	2,037
Sheriff Legal Education Fund	1,404	1,282	-	2,686
Federal Law Enforcement Fund	281	2	-	283
River and Forest Patrol Fund	-	1,445	1,445	-
Prosecuting Attorney Special Fund	5,841	44	1,727	4,158
Tax Maintenance Fund	30,602	11,601	13,741	28,462
Recorder User Fee Fund	18,456	6,074	16,089	8,441
Operation Cash Crop Fund	-	3,000	3,000	-
Law Enforcement Donation Fund	872	2,812	1,834	1,850
Administrative Handling Cost Fund	4,578	4,667	8,169	1,076
Election Fund	3,140	1,396	2,485	2,051
Forest Services Title III Fund	15,498	19,206	12,575	22,129
Senior Citizens Service Board Fund	11,904	50,852	47,249	15,507
Election HAVA Fund	4,615	3,884	5,337	3,162
Sheriff's Revolving Fund	12,702	12,544	15,810	9,436
Sheriff Civil Fund	8,027	9,083	4,569	12,541
Inmate Security Fund	5,478	3,406	790	8,094
Deputy Sheriff Salary Supplementaion Fund	372	24,168	25,311	(771)
Senate Bill 40 Board Fund	79,972	92,503	75,200	97,275
Law Enforcement Sales Tax Trust Fund	27,232	440,800	411,289	56,743
Total	\$ 1,829,921	\$ 3,126,097	\$ 2,869,624	\$ 2,086,394

The Accompanying Notes are an Integral Part of the Financial Statements.

County of Oregon, Missouri
Statement of Receipts, Disbursements and Changes in Cash-
All Governmental Funds: Regulatory Basis
For the Year Ended December 31, 2014

Fund	Cash and Investments January 1, 2014	Receipts	Disbursements	Cash and Investments December 31, 2014
General Revenue Fund	\$ 654,541	\$ 1,441,678	\$ 1,056,487	\$ 1,039,732
Road and Bridge Fund	654,515	773,599	875,130	552,984
Assessment Fund	-	141,748	138,023	3,725
Unclaimed Fees Fund	81	188	55	214
Prosecuting Attorney Training Fund	2,070	222	-	2,292
Sheriff Legal Education Fund	763	1,341	700	1,404
Federal Law Enforcement Fund	279	2	-	281
River and Forest Patrol Fund	-	6,500	6,500	-
Prosecuting Attorney Special Fund	2,374	3,541	74	5,841
Tax Maintenance Fund	27,408	11,489	8,295	30,602
Recorder User Fee Fund	26,681	6,284	14,509	18,456
Operation Cash Crop Fund	-	2,500	2,500	-
Law Enforcement Donation Fund	492	380	-	872
Administrative Handling Cost Fund	1,110	6,906	3,438	4,578
Election Fund	5,788	1,652	4,300	3,140
Forest Service Title III Fund	15,857	18,956	19,315	15,498
Senior Citizens Service Board Fund	8,874	47,804	44,774	11,904
Election HAVA Fund	(3,408)	9,339	1,316	4,615
Sheriff's Revolving Fund	18,690	10,232	16,220	12,702
Sheriff Civil Fund	5,590	9,718	7,281	8,027
Inmate Security Fund	2,894	2,639	55	5,478
Deputy Sheriff Salary Supplementation Fund	156	21,559	21,343	372
Senate Bill 40 Board Fund	61,589	88,383	70,000	79,972
Law Enforcement Sales Tax Trust Fund	30,970	428,609	432,347	27,232
Total	\$ 1,517,314	\$ 3,035,269	\$ 2,722,662	\$ 1,829,921

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash-
Budget and Actual - General Revenue Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ 850,000	\$ 924,371	\$ 74,371	\$ 830,000	\$ 914,852	\$ 84,852
Taxes-Property	103,100	129,173	26,073	98,100	115,446	17,346
Intergovernmental Revenues	180,650	273,914	93,264	163,855	268,864	105,009
Charges for Services	119,155	118,538	(617)	123,835	116,359	(7,476)
Interest Income	6,000	9,696	3,696	6,000	6,215	215
Other	18,450	11,758	(6,692)	21,872	19,495	(2,377)
Total Receipts	1,277,355	1,467,450	190,095	1,243,662	1,441,231	197,569
<u>Disbursements</u>						
County Commission	79,440	79,485	45	79,090	79,269	179
County Clerk	94,754	86,076	(8,678)	91,396	89,545	(1,851)
Elections	31,973	35,378	3,405	69,479	65,788	(3,691)
Buildings and Grounds	63,587	54,174	(9,413)	63,237	58,803	(4,434)
Employee Fringe Benefits	160,700	156,479	(4,221)	135,717	143,095	7,378
County Treasurer	39,600	39,254	(346)	39,960	39,231	(729)
Collector	80,338	76,001	(4,337)	76,274	74,681	(1,593)
Recorder of Deeds	51,670	50,624	(1,046)	50,520	49,701	(819)
Circuit Clerk	40,219	25,395	(14,824)	31,962	23,808	(8,154)
Court Administration	2,046	834	(1,212)	2,063	879	(1,184)
Public Administrator	40,180	39,462	(718)	40,230	38,928	(1,302)
Sheriff	-	-	-	-	-	-
Jail	84,477	77,683	(6,794)	44,650	27,514	(17,136)
Prosecuting Attorney	105,361	98,831	(6,530)	103,899	102,101	(1,798)
Juvenile Officer	65,200	62,475	(2,725)	65,200	60,095	(5,105)
County Coroner	17,500	10,783	(6,717)	12,500	11,101	(1,399)
Health and Welfare	500	-	(500)	500	-	(500)
Debt Service	-	-	-	-	-	-
Other	145,933	147,640	1,707	126,074	127,020	946
Emergency Fund	35,000	-	(35,000)	41,000	-	(41,000)
Total Disbursements	1,138,478	1,040,574	(97,904)	1,073,751	991,559	(82,192)
Excess (Deficiency) of Receipts Over (Under) Disbursements	138,877	426,876	287,999	169,911	449,672	279,761
Cash and Investments-January 1	1,039,732	1,039,732	-	654,541	654,541	-
Transfers In	771	937	166	409	447	38
Transfers Out	63,237	55,894	(7,343)	60,917	64,928	4,011
Cash and Investments-December 31	\$ 1,116,143	\$ 1,411,651	\$ 295,508	\$ 763,944	\$ 1,039,732	\$ 275,788

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash-
Budget and Actual - Road and Bridge Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	140,000	156,306	16,306	140,400	148,072	7,672
Intergovernmental Revenues	561,110	649,120	88,010	573,700	604,361	30,661
Charges for Services	-	-	-	-	-	-
Interest Income	4,500	4,377	(123)	5,500	5,245	(255)
Other	300	11,102	10,802	100	15,921	15,821
Total Receipts	705,910 -	820,905	114,995	719,700	773,599	53,899
<u>Disbursements</u>						
Salary	281,741	285,780	4,039	279,125	279,125	-
Employee Fringe Benefits	102,570	104,532	1,962	103,294	104,500	1,206
Supplies	164,500	93,511	(70,989)	154,250	152,924	(1,326)
Insurance	13,212	13,212	-	12,826	12,992	166
Road & Bridge Materials	93,500	70,554	(22,946)	94,000	54,291	(39,709)
Equipment Repairs	35,000	59,839	24,839	35,000	25,917	(9,083)
Rentals	2,300	1,999	(301)	2,200	1,999	(201)
Equipment Purchases	300,000	252,030	(47,970)	225,000	160,999	(64,001)
R & B Construction	79,000	85,041	6,041	79,000	73,979	(5,021)
Other	11,951	7,985	(3,966)	12,880	8,404	(4,476)
Total Disbursements	1,083,774	974,483	(109,291)	997,575	875,130	(122,445)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(377,864)	(153,578)	224,286	(277,875)	(101,531)	176,344
Cash and Investments-January 1	552,984	552,984	-	654,515	654,515	0
Transfers In	15,000	-	(15,000)	15,000	-	(15,000)
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 190,120	\$ 399,406	\$ 209,286	\$ 391,640	\$ 552,984	\$ 161,344

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Assessment Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	98,518	90,226	(8,292)	85,293	74,881	(10,412)
Charges for Services	-	-	-	-	-	-
Interest Income	90	54	(36)	90	49	(41)
Other	1,250	2,065	815	1,125	1,910	785
Total Receipts	99,858	92,345	(7,513)	86,508	76,840	(9,668)
<u>Disbursements</u>						
Assessor's Salary	36,000	36,000	-	36,000	36,000	-
Deputy and Clerical Salaries	54,205	48,774	(5,431)	53,805	47,320	(6,485)
Fringe Benefits	10,283	9,683	(600)	9,512	9,311	(201)
Office Supplies	13,708	12,008	(1,700)	11,050	9,650	(1,400)
Equipment	1,500	2,729	1,229	1,200	1,951	751
Mileage and Training	9,000	7,643	(1,357)	8,000	4,896	(3,104)
Other	-	-	-	-	-	-
Insurance	17,774	18,358	584	17,958	18,356	398
Computer Program	11,225	11,154	(71)	9,900	10,539	639
Bond	-	-	-	-	-	-
Training Computer	-	-	-	-	-	-
GIS Website	5,400	4,050	(1,350)	-	-	-
GIS Charges	3,000	-	(3,000)	-	-	-
Other	1,000	1,000	-	-	-	-
Total Disbursements	163,095	151,399	(11,696)	147,425	138,023	(9,402)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(63,237)	(59,054)	4,183	(60,917)	(61,183)	(266)
Cash and Investments-January 1	3,725	3,725	-	-	-	-
Transfers In	63,237	55,329	(7,908)	60,917	64,908	3,991
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 3,725	\$ -	\$ (3,725)	\$ -	\$ 3,725	\$ 3,725

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Unclaimed Fees Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	10	150	140	10	167	157
Charges for Services	-	-	-	-	-	-
Interest Income	-	1	1	-	1	1
Other	-	-	-	-	-	-
Total Receipts	10	151	141	10	168	158
<u>Disbursements</u>						
County Treasurer	188	188	-	55	46	(9)
Total Disbursements	188	188	-	55	46	(9)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(178)	(37)	141	(45)	122	167
Cash and Investments-January 1	214	214	-	81	81	-
Transfers In	-	-	-	-	20	20
Transfers Out	-	-	-	-	9	9
Cash and Investments-December 31	\$ 36	\$ 177	\$ 141	\$ 36	\$ 214	\$ 178

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Prosecuting Attorney Training Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	250	192	(58)	250	205	(45)
Interest Income	10	19	9	10	17	7
Other	-	-	-	-	-	-
Total Receipts	260	211	(49)	260	222	(38)
<u>Disbursements</u>						
Training and Mileage	500	466	(34)	1,000	-	(1,000)
Other	500	-	(500)	-	-	-
Total Disbursements	1,000	466	(534)	1,000	-	(1,000)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(740)	(255)	485	(740)	222	962
Cash and Investments-January 1	2,292	2,292	-	2,070	2,070	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 1,552	\$ 2,037	\$ 485	\$ 1,330	\$ 2,292	\$ 962

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Sheriff Legal Education Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	1,000	768	(232)	1,000	832	(168)
Charges for Services	-	-	-	-	-	-
Interest Income	5	14	9	5	9	4
Other	500	500	-	500	500	-
Total Receipts	1,505	1,282	(223)	1,505	1,341	(164)
<u>Disbursements</u>						
Training and Mileage	1,000	-	(1,000)	-	-	-
Other	200	-	(200)	200	200	-
Post Comm Sheriff Training	500	-	(500)	500	500	-
Total Disbursements	1,700	-	(1,700)	700	700	-
Excess (Deficiency) of Receipts Over (Under) Disbursements	(195)	1,282	1,477	805	641	(164)
Cash and Investments-January 1	1,404	1,404	-	763	763	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 1,209	\$ 2,686	\$ 1,477	\$ 1,568	\$ 1,404	\$ (164)

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Federal Law Enforcement Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	2	2	-	2	2	-
Transfers In	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
<u>Disbursements</u>						
Other	200	-	(200)	-	-	-
Total Disbursements	<u>200</u>	<u>-</u>	<u>(200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(198)</u>	<u>2</u>	<u>200</u>	<u>2</u>	<u>2</u>	<u>-</u>
Cash and Investments-January 1	281	281	-	279	279	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	<u>\$ 83</u>	<u>\$ 283</u>	<u>\$ 200</u>	<u>\$ 281</u>	<u>\$ 281</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - River and Forest Patrol Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	10,000	1,345	(8,655)	10,000	6,500	(3,500)
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	10,000	1,345	(8,655)	10,000	6,500	(3,500)
<u>Disbursements</u>						
Salaries	5,600	723	(4,877)	5,600	4,939	(661)
Fringe Benefits	352	58	(294)	352	183	(169)
Mileage	2,800	-	(2,800)	2,800	194	(2,606)
Other	850	100	(750)	850	813	(37)
Total Disbursements	9,602	881	(8,721)	9,602	6,129	(3,473)
Excess (Deficiency) of Receipts Over (Under)						
Disbursements	398	464	66	398	371	(27)
Cash and Investments-January 1	-	-	-	-	-	-
Transfers In	-	100	100	-	-	-
Transfers Out	398	564	166	398	371	(27)
Cash and Investments-December 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Prosecuting Attorney Special Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	3,516	3,516
Interest Income	5	44	39	20	25	5
Other	-	-	-	-	-	-
Total Receipts	5	44	39	20	3,541	3,521
<u>Disbursements</u>						
Other	-	-	-	1,000	74	(926)
Equipment	3,000	1,727	(1,273)	-	-	-
Total Disbursements	3,000	1,727	(1,273)	1,000	74	(926)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,995)	(1,683)	1,312	(980)	3,467	4,447
Cash and Investments-January 1	5,841	5,841	-	2,374	2,374	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 2,846	\$ 4,158	\$ 1,312	\$ 1,394	\$ 5,841	\$ 4,447

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Tax Maintenance Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	11,250	11,355	105	11,200	11,247	\$ 47
Charges for Services	-	-	-	-	-	\$ -
Interest Income	200	246	46	110	242	\$ 132
Other	-	-	-	-	-	-
Total Receipts	11,450	11,601	151	11,310	11,489	179
<u>Disbursements</u>						
Computer Software & Upgrade	7,000	5,560	(1,440)	7,000	3,695	(3,305)
Equipment	3,000	702	(2,298)	3,000	2,142	(858)
Office Maintenance	500	26	(474)	500	31	(469)
Internet service	400	461	61	330	359	29
Training and Mileage	1,800	892	(908)	1,800	600	(1,200)
Phone and Fax Upgrade	1,100	757	(343)	1,100	1,021	(79)
Professional Fees	300	-	(300)	500	75	(425)
Other	20,700	5,343	(15,357)	3,000	372	(2,628)
Total Disbursements	34,800	13,741	(21,059)	17,230	8,295	(8,935)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(23,350)	(2,140)	21,210	(5,920)	3,194	9,114
Cash and Investments-January 1	30,602	30,602	-	27,408	27,408	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 7,252	\$ 28,462	\$ 21,210	\$ 21,488	\$ 30,602	\$ 9,114

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Recorder User Fee Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	6,100	5,960	(140)	6,300	6,097	(203)
Interest Income	200	114	(86)	100	187	87
Other	-	-	-	-	-	-
Total Receipts	<u>6,300</u>	<u>6,074</u>	<u>(226)</u>	<u>6,400</u>	<u>6,284</u>	<u>(116)</u>
<u>Disbursements</u>						
Equipment	4,000	3,885	(115)	6,500	6,394	(106)
Other	1,800	1,800	-	1,500	865	(635)
Microfilming	3,000	2,855	(145)	-	-	-
Salary	7,100	6,962	(138)	6,000	6,212	212
Employee Fringe Benefits	599	587	(12)	536	1,038	502
Total Disbursements	<u>16,499</u>	<u>16,089</u>	<u>(410)</u>	<u>14,536</u>	<u>14,509</u>	<u>(27)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(10,199)</u>	<u>(10,015)</u>	<u>184</u>	<u>(8,136)</u>	<u>(8,225)</u>	<u>(89)</u>
Cash and Investments-January 1	18,456	18,456	-	26,681	26,681	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	<u>\$ 8,257</u>	<u>\$ 8,441</u>	<u>\$ 184</u>	<u>\$ 18,545</u>	<u>\$ 18,456</u>	<u>\$ (89)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Operation Cash Crop Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	3,500	3,000	(500)	3,500	2,500	(1,000)
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	3,500	3,000	(500)	3,500	2,500	(1,000)
<u>Disbursements</u>						
Equipment	1,000	339	(661)	1,000	-	(1,000)
Salaries	1,500	2,069	569	1,500	1,320	(180)
Fringe Benefits	115	158	43	115	107	(8)
Other	885	434	(451)	885	1,006	121
Total Disbursements	3,500	3,000	(500)	3,500	2,433	(1,067)
Excess (Deficiency) of Receipts Over (Under) Disbursements	-	-	-	-	67	67
Cash and Investments-January 1	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	67	67
Cash and Investments-December 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Law Enforcement Donation Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	7	12	5	7	5	(2)
Other	-	2,800	2,800	-	375	375
Total Receipts	<u>7</u>	<u>2,812</u>	<u>2,805</u>	<u>7</u>	<u>380</u>	<u>373</u>
<u>Disbursements</u>						
Equipment	-	1,834	1,834	-	-	-
Training and Mileage	500	-	(500)	-	-	-
Total Disbursements	<u>500</u>	<u>1,834</u>	<u>1,334</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(493)</u>	<u>978</u>	<u>1,471</u>	<u>7</u>	<u>380</u>	<u>373</u>
Cash and Investments-January 1	872	872	-	492	492	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	<u>\$ 379</u>	<u>\$ 1,850</u>	<u>\$ 1,471</u>	<u>\$ 499</u>	<u>\$ 872</u>	<u>\$ 373</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Administrative Handling Cost Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	5,900	4,618	(1,282)	4,700	6,868	2,168
Interest Income	30	49	19	-	31	31
Other	-	-	-	-	7	7
Total Receipts	5,930	4,667	(1,263)	4,700	6,906	2,206
<u>Disbursements</u>						
Salary	5,581	5,581	-	1,844	1,844	-
Employee Fringe Benefits	1,908	2,079	171	640	720	80
Mileage and Training	-	-	-	-	-	-
Fees to PA Service	800	509	(291)	1,850	874	(976)
Total Disbursements	8,289	8,169	(120)	4,334	3,438	(896)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,359)	(3,502)	(1,143)	366	3,468	3,102
Cash and Investments-January 1	4,578	4,578	-	1,110	1,110	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 2,219	\$ 1,076	\$ (1,143)	\$ 1,476	\$ 4,578	\$ 3,102

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Election Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	25	31	6	5	28	23
Reimbursement 5%	700	742	42	1,000	698	(302)
Voter Transaction Costs	500	623	123	500	926	426
Grant	3,312	-	(3,312)	-	-	-
Total Receipts	4,537	1,396	(3,141)	1,505	1,652	147
<u>Disbursements</u>						
Equipment - Voting	-	-	-	4,000	4,000	-
Grant	3,312	2,485	(827)	-	-	-
Other	500	-	(500)	300	300	-
Total Disbursements	3,812	2,485	(1,327)	4,300	4,300	-
Excess (Deficiency) of Receipts Over (Under) Disbursements	725	(1,089)	(1,814)	(2,795)	(2,648)	147
Cash and Investments-January 1	3,140	3,140	-	5,788	5,788	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 3,865	\$ 2,051	\$ (1,814)	\$ 2,993	\$ 3,140	\$ 147

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Forest Services Title III Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	19,089	19,089	30,000	18,835	(11,165)
Charges for Services	-	-	-	-	-	-
Interest Income	50	117	67	300	121	(179)
Other	-	-	-	-	-	-
Total Receipts	50	19,206	19,156	30,300	18,956	(11,344)
<u>Disbursements</u>						
GIS System	15,548	12,575	(2,973)	45,857	19,315	(26,542)
Total Disbursements	15,548	12,575	(2,973)	45,857	19,315	(26,542)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(15,498)	6,631	22,129	(15,557)	(359)	15,198
Cash and Investments-January 1	15,498	15,498	-	15,857	15,857	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ -	\$ 22,129	\$ 22,129	\$ 300	\$ 15,498	\$ 15,198

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Senior Citizens Service Board Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	44,287	47,255	2,968	44,400	44,018	(382)
Intergovernmental Revenues	4,796	3,597	(1,199)	1,900	3,786	1,886
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	<u>49,083</u>	<u>50,852</u>	<u>1,769</u>	<u>46,300</u>	<u>47,804</u>	<u>1,504</u>
<u>Disbursements</u>						
Senior Citizen	41,000	47,000	6,000	45,750	44,526	(1,224)
Newspaper Publication	48	49	1	-	48	48
Officer Bond	200	200	-	-	200	200
Other	-	-	-	-	-	-
Total Disbursements	<u>41,248</u>	<u>47,249</u>	<u>6,001</u>	<u>45,750</u>	<u>44,774</u>	<u>(976)</u>
Excess (Deficiency) of Receipts Over (Under)						
Disbursements	<u>7,835</u>	<u>3,603</u>	<u>(4,232)</u>	<u>550</u>	<u>3,030</u>	<u>2,480</u>
Cash and Investments-January 1	11,904	11,904	-	10,137	8,874	(1,263)
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	<u>\$ 19,739</u>	<u>\$ 15,507</u>	<u>(4,232)</u>	<u>\$ 10,687</u>	<u>\$ 11,904</u>	<u>1,217</u>

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Election HAVA Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	10	22	12	5	18	13
Poll Workers Grant	-	-	-	-	1,352	1,352
Equipment Grant Hava	1,337	1,337	-	1,316	1,316	-
Voter Registration Lists	50	-	(50)	-	154	154
Equipment Rental	2,250	2,525	275	1,750	2,500	750
HHS Polling Place Access Grant	-	-	-	3,999	3,999	-
Total Receipts	<u>3,647</u>	<u>3,884</u>	<u>237</u>	<u>7,070</u>	<u>9,339</u>	<u>2,269</u>
<u>Disbursements</u>						
Grant: HAVA	1,337	1,337	-	1,316	1,316	-
Election Equipment	4,000	4,000	-	-	-	-
Total Disbursements	<u>5,337</u>	<u>5,337</u>	<u>-</u>	<u>1,316</u>	<u>1,316</u>	<u>-</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(1,690)</u>	<u>(1,453)</u>	<u>237</u>	<u>5,754</u>	<u>8,023</u>	<u>2,269</u>
Cash and Investments-January 1	4,615	4,615	-	(3,408)	(3,408)	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	<u>\$ 2,925</u>	<u>\$ 3,162</u>	<u>\$ 237</u>	<u>\$ 2,346</u>	<u>\$ 4,615</u>	<u>\$ 2,269</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Sheriff's Revolving Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	10,000	12,453	2,453	9,630	10,087	457
Charges for Services	-	-	-	-	-	-
Interest Income	147	91	(56)	147	145	(2)
Other	-	-	-	-	-	-
Total Receipts	10,147	12,544	2,397	9,777	10,232	455
<u>Disbursements</u>						
Salary	10,000	10,000	-	7,000	10,535	3,535
Employee Fringe Benefits	1,414	1,584	170	1,414	1,414	-
Supplies	2,000	503	(1,497)	4,000	200	(3,800)
Mileage & Training	2,000	-	(2,000)	2,000	554	(1,446)
Fringier Prints & Photos	3,694	3,723	29	3,518	3,517	(1)
Other	200	-	(200)	5,000	-	(5,000)
Total Disbursements	19,308	15,810	(3,498)	22,932	16,220	(6,712)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(9,161)	(3,266)	5,895	(13,155)	(5,988)	7,167
Cash and Investments-January 1	12,702	12,702	-	18,690	18,690	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 3,541	\$ 9,436	\$ 5,895	\$ 5,535	\$ 12,702	\$ 7,167

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Sheriff Civil Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	9,980	6,496	(3,484)	11,080	8,739	(2,341)
Charges for Services	-	-	-	-	-	-
Interest Income	100	87	(13)	100	57	(43)
Other	-	2,500	2,500	-	922	922
Total Receipts	10,080	9,083	(997)	11,180	9,718	(1,462)
<u>Disbursements</u>						
Equipment	4,200	1,245	(2,955)	4,200	1,414	(2,786)
Other	6,000	3,324	(2,676)	4,000	5,867	1,867
Total Disbursements	10,200	4,569	(5,631)	8,200	7,281	(919)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(120)	4,514	4,634	2,980	2,437	(543)
Cash and Investments-January 1	8,027	8,027	-	5,590	5,590	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 7,907	\$ 12,541	\$ 4,634	\$ 8,570	\$ 8,027	\$ (543)

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Inmate Security Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	1,730	1,863	133	730	1,799	1,069
Charges for Services	800	1,492	692	800	808	8
Interest Income	15	51	36	-	32	32
Other	-	-	-	-	-	-
Total Receipts	<u>2,545</u>	<u>3,406</u>	<u>861</u>	<u>1,530</u>	<u>2,639</u>	<u>1,109</u>
<u>Disbursements</u>						
Training & Mileage	1,500	790	(710)	400	-	(400)
Supplies	-	-	-	500	-	(500)
Other	1,000	-	(1,000)	200	55	(145)
Total Disbursements	<u>2,500</u>	<u>790</u>	<u>(1,710)</u>	<u>1,100</u>	<u>55</u>	<u>(1,045)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>45</u>	<u>2,616</u>	<u>2,571</u>	<u>430</u>	<u>2,584</u>	<u>2,154</u>
Cash and Investments-January 1	5,478	5,478	-	2,894	2,894	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	<u>\$ 5,523</u>	<u>\$ 8,094</u>	<u>\$ 2,571</u>	<u>\$ 3,324</u>	<u>\$ 5,478</u>	<u>\$ 2,154</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Deputy Sheriff Salary Supplementation Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Reimburse DSSSF	22,209	24,094	1,885	10,760	21,559	10,799
Other	-	74	74	-	-	-
Total Receipts	<u>22,209</u>	<u>24,168</u>	<u>1,959</u>	<u>10,760</u>	<u>21,559</u>	<u>10,799</u>
<u>Disbursements</u>						
Salary	20,500	23,098	2,598	9,741	19,465	9,724
Fringe Benefits	1,709	1,841	132	1,019	1,878	859
Total Disbursements	<u>22,209</u>	<u>24,939</u>	<u>2,730</u>	<u>10,760</u>	<u>21,343</u>	<u>10,583</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>-</u>	<u>(771)</u>	<u>(771)</u>	<u>-</u>	<u>216</u>	<u>216</u>
Cash and Investments-January 1	372	372	-	156	156	-
Transfers In	-	-	-	-	-	-
Transfers Out	372	372	-	-	-	-
Cash and Investments-December 31	<u>\$ -</u>	<u>\$ (771)</u>	<u>\$ (771)</u>	<u>\$ 156</u>	<u>\$ 372</u>	<u>\$ 216</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Senate Bill 40 Board Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	80,000	92,082	12,082	80,000	88,036	8,036
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	300	396	96	400	335	(65)
Other	-	25	25	-	12	12
Total Receipts	80,300	92,503	12,203	80,400	88,383	7,983
<u>Disbursements</u>						
Transfer Workshop	75,000	75,000	-	70,000	70,000	-
Bonds Insurance	100	200	100	100	-	(100)
Total Disbursements	75,100	75,200	100	70,100	70,000	(100)
Excess (Deficiency) of Receipts Over (Under) Disbursements	5,200	17,303	12,103	10,300	18,383	8,083
Cash and Investments-January 1	79,972	79,972	-	-	61,589	61,589
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 85,172	\$ 97,275	\$ 12,103	\$ 10,300	\$ 79,972	\$ 69,672

Oregon County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes In Cash-
Budget and Actual - Law Enforcement Sales Tax Trust Fund: Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>	<u>Budget 2014</u>	<u>Actual 2014</u>	<u>Variance</u>
<u>Receipts</u>						
Taxes-Sales	\$ 410,000	\$ 419,637	\$ 9,637	\$ 410,000	\$ 401,947	\$ (8,053)
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	7,600	10,714	3,114	9,200	14,764	5,564
Charges for Services	9,840	4,730	(5,110)	9,180	6,521	(2,659)
Interest Income	200	255	55	-	167	167
Other	5,000	5,000	-	19,200	5,210	(13,990)
Total Receipts	432,640	440,336	7,696	447,580	428,609	(18,971)
<u>Disbursements</u>						
Salary	241,553	234,520	(7,033)	270,034	254,365	(15,669)
Fringe Benefits	81,017	79,030	(1,987)	90,041	88,328	(1,713)
Services	4,809	5,481	672	5,530	5,297	(233)
Vehicle	45,457	41,138	(4,319)	50,294	47,662	(2,632)
Office Expense	9,507	10,780	1,273	8,550	8,684	134
Other	5,644	5,428	(216)	7,800	4,466	(3,334)
Training	1,400	1,938	538	2,000	2,268	268
Vehicle Equipment Grant	7,500	4,200	(3,300)	975	975	-
Equipment Purchase	20,230	19,610	(620)	25,985	14,830	(11,155)
Transports	6,000	9,164	3,164	6,000	5,472	(528)
Total Disbursements	423,117	411,289	(11,828)	467,209	432,347	(34,862)
Excess (Deficiency) of Receipts Over (Under) Disbursements	9,523	29,047	19,524	(19,629)	(3,738)	15,891
Cash and Investments-January 1	27,232	27,232	-	30,970	30,970	-
Transfers In	-	464	464	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 36,755	\$ 56,743	\$ 19,988	\$ 11,341	\$ 27,232	\$ 15,891

The Accompanying Notes are an Integral Part of the Financial Statements.

Oregon County, Missouri

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organized in 1845, Oregon County, Missouri ("County") was named after the Oregon Territory and is home to a large area of the Mark Twain National Forest. Oregon County is organized as a third-class county, and is part of the Thirty-Seventh Judicial Circuit, as well as the 8th Congressional District of Missouri. The County is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, Collector, Treasurer, County Clerk, Circuit Clerk, Coroner, Prosecuting Attorney, Public Administrator, Recorder of Deeds, and Sheriff.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America (GAAP), including all relevant Government Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

As required by GAAP, as applicable to the regulatory basis of accounting, these financial statements present the financial accountability of Oregon County, Missouri, the Oregon County Senior Citizens Service Board, and the Oregon County Senate Bill 40 Board.

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Oregon County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the County's legal entity. The Oregon County Senior Citizens Service Board and Senate Bill 40 Board are controlled by separate boards and are also included under the control of Oregon County.

Certain elected County officials, particularly in the County Collector, Treasurer, and Sheriff, collect and hold monies in a trustee capacity as an agent of individual taxing units or other governments. These assets, held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and are unaudited.

Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Oregon County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the County. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the County's general operation fund, accounting for

Oregon County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

Basis of Accounting

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law. This basis of accounting differs from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As a result of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases), and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Oregon County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budgets and Budgetary Accounting

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50, (Sections 50.525 through 50.745, RSMo), the County adopts a budget for each county fund.
- 2) On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
- 3) The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
- 4) State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.

Oregon County, Missouri

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 5) A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection.
- 6) Prior to February 1, the budget is legally enacted by a vote of the County Commission.
- 7) Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
- 8) Budgets are prepared on a cash basis of accounting.
- 9) Adoption of the formal budget is required by law.
- 10) Section 50.740, RSMo. requires that counties prepare budgets that balance proposed expenditures with estimated revenues and other sources of financial resources. Accordingly, counties are not authorized to have deficit fund balances. No funds had deficit budgets for the years ended December 31, 2015 and 2014.
- 11) Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the Law Enforcement Donation Fund, Senior Citizens Service Board Fund, Deputy Sheriff Salary Supplementation Fund, and the Senate Bill 40 Board Fund for the year ended December 31, 2015. Deputy Sheriff Salary Supplementation Fund had actual amounts exceeding budgeted expenditures for the year ended December, 31 2014.

Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within Oregon County's boundaries for the calendar year 2015 and 2014, for the purposes of taxation was:

	2015	2014
Real Estate	\$ 67,122,922	\$58,663,757
Personal Property	24,877,765	22,770,691
Railroad and Utilities	8,302,651	7,899,838
Total	<u>\$100,303,338</u>	<u>\$89,334,286</u>

Oregon County, Missouri

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The tax levy respectively per \$100 assessed valuation of tangible taxable property for the calendar year 2015 and 2014, for the purpose of county taxation, is as follows:

	2015	2014
General Revenue Fund	\$.1100	\$.1310
Road and Bridge Fund	.2482	.2697
Senate Bill 40 Board Fund	.0927	.1000
Senior Citizens Service Board Fund	.0464	.0500

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximated market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less.

Investments are limited by State law to the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bonds or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

Details of these cash and investment balances are presented in Note 2.

Oregon County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as “transfers in” by the recipient fund and as “transfers out” by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring costs.

NOTE 2-CASH AND INVESTMENTS

Oregon County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type’s portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as “Cash and Investments”.

Missouri requires that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, the carrying amount of Oregon County’s deposits was \$2,086,394 and \$1,829,921 and the bank balance was \$2,079,011, and \$1,849,885 respectively. As of December 31, 2015, 100% of Oregon County’s deposits and investments were covered by the Federal Deposit Insurance Corporation (FDIC) or were collateralized. The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2015 as follows:

Deposits	\$1,260,927
Investments	825,467
Total Deposits & Investments as of December 31, 2015	<u><u>\$ 2,086,394</u></u>

The carrying values of deposit and investments shown above are included in the financial statements at December 31, 2014, as follows:

Deposits	\$1,004,616
Investments	825,305
Total Deposits & Investments as of December 31, 2014	<u><u>\$1,829,921</u></u>

Custodial Credit Risk-Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. Oregon County’s investment policy does not include custodial credit risk requirements. The County’s deposits were not exposed to custodial credit risk for the years ended December 31, 2015 and 2014.

Oregon County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 2- CASH AND INVESTMENTS (continued)

Custodial Credit Risk- Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Oregon County or its agent but not in the government's name. Oregon County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Oregon County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Oregon County does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Oregon County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Oregon County's deposits were not exposed to concentration of investment credit risk for the years ended in December 31, 2015 and 2014.

NOTE 3-INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2015 and 2014 are as follows:

<u>Fund</u>	2015		2014	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Revenue	\$ 937	\$ 55,894	\$ 447	\$ 64,928
Assessment	55,329	-	64,908	-
Unclaimed Fees	-	-	20	9
River and Forest Patrol	100	564	-	371
Operation Cash Crop	-	-	-	67
Deputy Sheriff Salary	-	-	-	-
Supplementation	-	372	-	-
Law Enforcements Sales Tax Trust	464	-	-	-
Total	<u>\$ 56,830</u>	<u>\$ 56,830</u>	<u>\$ 65,375</u>	<u>\$ 65,375</u>

Oregon County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 4-COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees. The Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan covering any county elected or appointed officer or employee whose required actual performance of duties are during no less than (1000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Section 57.949 to 57.997. RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits:

Beginning January 1, 1997, employees attaining the age of sixty-two may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and the prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active eligible member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employee's Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO, 65101, or by calling 1-877-632-2373.

Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in CERF. During 2015 and 2014, the County collected and remitted to CERF, employee contributions of \$45,814 and \$43,172, respectively, for the years then ended.

Oregon County, Missouri

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 5- OTHER NOTES

Prosecuting Attorney Retirement Fund

In accordance with state statute Chapter 56.807, RSMo, Oregon County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. Oregon County has contributed \$2,244 for both the years ended December 31, 2015 and 2014.

Post-Employment Benefits

Oregon County does not provide post-employment benefits, except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by Oregon County.

Claims, Commitments, and Contingencies

Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime, if applicable. Sick time is paid for at the rate of 50% for any unused sick pay up to 240 hours. These have not been subjected to auditing procedures.

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its

Oregon County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 5- OTHER NOTES-Risk Management (continued)

obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

Subsequent Events

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statement. Such events have been evaluated through August 15, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL
AUDITING STANDARDS

To the County Commission and
Officeholders of Oregon County, Missouri

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oregon County, Missouri as of and for the years ended December 31, 2015 and December 31, 2014 and the related notes to the financial statements, which collectively comprise Oregon County, Missouri's basic financial statement, and have issued my report thereon, dated August 15, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements I considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County's internal control. Accordingly, I do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my testing disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 15/14-1

Oregon County, Missouri's Response to Findings

Oregon County, Missouri's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Oregon County, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entities internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Columbia, MO

August 15, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR A MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133**

To the County Commissioners
Oregon County, Missouri
Alton, Missouri

Report on Compliance for A Major Federal Program

I have audited Oregon County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the years ended December 31, 2015 and 2014. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the County's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In my opinion, Oregon County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2015 and 2014.



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Report on Internal Control over Compliance

Management of Oregon County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The report is intended solely for the information and use of management, County Commission, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lisa C. Wyzanski, CPA, LLC
Columbia, MO
August 15, 2016

Oregon County, Missouri
Schedule of Expenditures of Federal Awards
For The Years Ended December 31, 2015 and 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	Federal CFDA Number	Pass- Through Entity Number	Federal Expenditures Year Ended Dec. 31, 2015	Federal Expenditures Year Ended Dec. 31, 2014
U.S. Department of Agriculture				
Passed Through the State:				
Office of Administration				
Schools and Roads-Grants to States	10.665	N/A	\$425,701	\$404,057
U.S. Department of the Interior				
Direct Program				
Payments in Lieu of Taxes	15.226	N/A	158,689	164,020
U.S. Department of Justice				
Passed through state:				
Department of Public Safety				
Edward Byrne Mem. Justice Asst. Grant	16.738	N/A	780	8,774
Election Assistance Commission				
Passed through state:				
Office of Secretary of State-				
HAV Act Requirements Payments	90.401	N/A	1,337	1,316
U.S. Department of Health and Human Services				
Passed through state:				
Department of Social Services-				
Child Support Enforcement	93.563	N/A	417	452
U.S. Department of Homeland Security				
Passed through State:				
Department of Public Safety-				
Emergency Management Performance Grants	97.042	N/A	3,000	3,000
Total Expenditures of Federal Awards			<u>\$589,924</u>	<u>\$581,619</u>

Oregon County, Missouri
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015 and 2014

Note 1- Summary of Significant Accounting Policies

Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the County's federal award programs, and has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Oregon County, Missouri.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Basis of Accounting

The accompanying schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133 (Audits of States and Non-Profit Organizations). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Matching Requirements

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the federally funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the schedule.

Note 2- Subrecipients

The County passed through federal funds to the Schools and Roads – Grants to States (CFDA# 10.665) to local schools for the years ended December 31, 2015 and December 31, 2014.

Oregon County, Missouri
Schedule of Findings and Questioned Costs
For The Years Ended December 31, 2015 and 2014

Section 1 – Summary of Auditor’s Results

Financial Statement

Type of auditor’s report issued

Unmodified Regulatory Basis

Internal control over financial reporting

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that were not considered to be material weaknesses? _____ Yes X No

Any noncompliance material to financial Statements noted? X Yes _____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that were not considered to be material weaknesses? _____ Yes X No

Type of auditor’s report issued on Compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? _____ Yes X No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads – Grants to States

Dollar threshold used to distinguish Between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Oregon County, Missouri
Schedule of Findings and Questioned Costs
For The Years Ended December 31, 2015 and 2014

Section 2-Financial Statement Findings

15/14-1 Condition: I noted an issue with the County's budgeting process during 2014 and 2015, as follows:

- A) The Deputy Sheriff Salary Supplementation Fund had actual disbursements exceeding budgeted disbursements for the year ended December 31, 2014.
- B) The following funds had actual disbursements exceeding the budgeted disbursements for the year ended December 31, 2015: Law Enforcement Donation, Senior Citizens Service Board, Deputy Sheriff Salary Supplementation, and Senate Bill 40 Board.

Effect: Missouri statutes requires Counties to prepare an annual budget, and expenditures are not to exceed the budget. Due to exceeding budget in certain funds the County is in violation of Missouri Revised Statutes.

Recommendation: I recommend that the County ensure compliance with State Statutes by refraining from approving expenditures in excess of budgeted amounts and refraining from approving expenditures that create deficit fund balances. In the event that the originally adopted budget is inadequate to finance current year unforeseen expenditures, budgetary amendments should be discussed in public meeting and formally adopted by the County Commission.

Management's Response: The County will continue to monitor and amend as needed.

Section 3- Federal Award Findings and Questioned Cost

This section contains no audit findings that *OMB Circular A-133* requires to be reported for an audit of financial statements.

Section 4-Prior Year Financial Statement Findings

In accordance with Government Audit standards, this section reports the auditor's follow-up actions taken by Oregon County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2013.

13/12-1 Condition: During our audit, we noted three funds with actual expenditures that exceeded the budgeted expenditures and one fund which was deficit budgeted.

Effect: Missouri statutes requires Counties to prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding budget in certain funds the County is in violation of Missouri Revised Statutes.

Cause: Oversight

Oregon County, Missouri
Schedule of Findings and Questioned Costs
For The Years Ended December 31, 2015 and 2014

Section 4-Prior Year Financial Statement Findings (continued).

Recommendation: We recommend that the County adopt a budget for all funds, and periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: The County will continue to monitor budgets and amend as needed. The contact person is Tracy Bridges, Oregon County Clerk.

Status: Management has not corrected this issue and this finding will be repeated in the current year.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Sullivan County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Sullivan County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Lisa C Wright, LLC, Certified Public Accountant, is attached.

Nicole R. Galloway, CPA
State Auditor

September 2016
Report No. 2016-103

Sullivan County, Missouri
December 31, 2015 and December 31, 2014
Financial Statements

Prepared by:
Lisa C. Wright, CPA, LLC
Certified Public Accountant
Columbia, MO

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Member of the Missouri
Society of Certified
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INDEPENDENT AUDITOR'S REPORT

To the County Commission and
Officeholders of Sullivan County
Milan, Missouri

I have audited the accompanying financial statements of the County of Sullivan, Missouri as of December 31, 2015 and December 31, 2014 for the years then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri Law, which practice differs from accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based upon my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. Procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the County, on the basis of financial reporting provisions prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects of the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Sullivan County, as of two years ended December 31, 2015 and December 31, 2014 or changes in the financial position for the years ended then.

Unqualified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the Cash and Cash Equivalents balances of each fund of Sullivan County, as of the two years ended December 31, 2015 and December 31, 2014, and their respective cash receipts and disbursements and the budgetary results for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the County has changed from presenting the financial statements in accordance with GASB 34 on the cash basis to the regulatory basis. My opinion is not modified with respect to this matter.

Other Matters-Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sullivan County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *Audits of State and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 29, 2016, on my consideration of Sullivan County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sullivan County's internal control over financial reporting and compliance.

Lisa C. Wynn, CPA, LLC

Columbia, MO

July 29, 2016



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Sullivan County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents
All Governmental Funds: Regulatory Basis
For the Year Ended December 31, 2015

Fund	Cash and Cash Equivalents January 1, 2015	Receipts	Disbursements	Cash and Cash Equivalents December 31, 2015
General Revenue Fund	\$ 275,592	\$ 1,619,291	\$ 1,542,445	\$ 352,438
Road and Bridge Fund	544,682	1,413,379	1,057,043	901,018
Assessment Fund	35,062	175,647	197,935	12,774
Law Enforcement Training Fund	2,316	1,836	3,190	962
Prosecuting Attorney Training Fund	517	459	880	96
L.E.P.C. (CEPF) Fund	1,770	2,799	2,890	1,679
L.E.P.C. (EMD) Fund	313	4,390	4,702	1
Prosecuting Attorney Delinquent Tax Fund	5	-	-	5
Prosecuting Attorney Bad Check Fund	1,228	3,851	4,420	659
Recorder's Storage & Retention Fund	4,650	2,276	4,342	2,584
Recorder's Technology Fund	1,740	1,311	775	2,276
Sheriff's Fund	5,377	20,688	18,081	7,984
SCMH Fund	18,065	253,433	75,621	195,877
Election Services Fund	54	-	-	54
CDGB (Bridge) Fund	-	-	-	-
Tax Maintenance Fund	19,317	16,767	13,772	22,312
Victim's Advocate Fund	-	-	-	-
Victim's of Domestic Violence Fund	940	268	-	1,208
Inmate Security Fund	16,661	5,439	-	22,100
NCMO Lake Project Fund	1	252,956	252,954	3
Senior Services Tax Fund	-	6,217	-	6,217
Law Enforcement Restitution Fund	7,256	7,711	6,200	8,767
Total	\$ 935,546	\$ 3,788,718	\$ 3,185,250	\$ 1,539,014

Sullivan County, Missouri
Statement of Receipts, Disbursements and Changes in Cash and Cash Equivalents
All Governmental Funds: Regulatory Basis
For the Year Ended December 31, 2014

Fund	Cash and Cash Equivalents	Receipts	Disbursements	Cash and Cash Equivalents
	January 1, 2014			December 31, 2014
General Revenue Fund	\$ 175,826	\$ 1,547,330	\$ 1,447,564	\$ 275,592
Road and Bridge Fund	417,909	598,419	471,646	544,682
Assessment Fund	28,293	131,582	124,813	35,062
Law Enforcement Training Fund	2,195	1,668	1,547	2,316
Prosecuting Attorney Training Fund	98	419	-	517
L.E.P.C. (CEPF) Fund	2,342	77	649	1,770
L.E.P.C. (EMD) Fund	78	8,505	8,270	313
Prosecuting Attorney Delinquent Tax Fund	5	-	-	5
Prosecuting Attorney Bad Check Fund	2,194	6,876	7,842	1,228
Recorder's Storage & Retention Fund	6,297	2,455	4,102	4,650
Recorder's Technology Fund	5,202	1,492	4,954	1,740
Sheriff's Fund	8,029	17,092	19,744	5,377
SCMH Fund	108,492	245,360	335,787	18,065
Election Services Fund	1,855	3,132	4,933	54
CDGB (Bridge) Fund	-	563,082	563,082	-
Tax Maintenance Fund	12,790	11,825	5,298	19,317
Victim's Advocate Fund	165	-	165	-
Victim's of Domestic Violence Fund	740	200	-	940
Inmate Security Fund	11,545	5,116	-	16,661
NCMO Lake Project Fund	1	244,658	244,658	1
Senior Services Tax Fund	-	-	-	-
Law Enforcement Restitution Fund	5,271	3,481	1,496	7,256
Total	\$ 789,327	\$ 3,392,769	\$ 3,246,550	\$ 935,546

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
General Revenue Fund
For the Years Ended December 31, 2015 and 2014

	2015 Budget	2015 Actual	Variance	2014 Budget	2014 Actual	Variance
<u>Receipts</u>						
Property Tax	\$ 193,800	\$ 198,210	\$ 4,410	\$ 238,800	\$ 184,333	\$ (54,467)
Sales Tax	570,000	637,700	67,700	530,000	619,856	89,856
Intergovernmental Revenues	390,000	407,525	17,525	380,300	388,280	7,980
Charges for Services	275,100	340,208	65,108	273,150	306,248	33,098
Interest Income	1,000	1,265	265	1,600	1,080	(520)
Licenses	3,000	3,225	225	3,500	3,400	(100)
Other Election Reimbursements	-	-	-	2,000	-	(2,000)
Municipal Election Reimbursements	12,000	4,876	(7,124)	9,000	15,135	6,135
Public Administrative Fees	1,000	2,220	1,220	1,500	1,150	(350)
Miscellaneous	5,000	11,855	6,855	2,500	5,424	2,924
Sale of Surplus Equipment	2,500	-	(2,500)	6,200	3,300	(2,900)
Change of Venue	-	-	-	-	3,447	3,447
D.S.S.S.F	5,500	5,753	253	5,373	5,659	286
Rebates & Reimbursements	-	-	-	-	10,018	10,018
Local Emergency Planning Training	-	6,454	6,454	-	-	-
Total Receipts	1,458,900	1,619,291	160,391	1,453,923	1,547,330	93,407
<u>Disbursements</u>						
County Commission	84,820	83,132	(1,688)	92,712	90,634	(2,078)
County Clerk	74,100	73,625	(475)	86,927	80,408	(6,519)
Elections	39,640	18,715	(20,925)	71,620	59,297	(12,323)
Buildings and Grounds	67,700	62,455	(5,245)	61,850	64,648	2,798
Employee Fringe Benefits	66,000	67,975	1,975	68,000	64,309	(3,691)
County Treasurer	95,077	96,652	1,575	121,053	97,380	(23,673)
County Collector	-	-	-	-	-	-
Recorder of Deeds	77,500	76,793	(707)	76,800	73,314	(3,486)
Circuit Clerk	12,100	13,059	959	15,500	13,123	(2,377)
Court Administration	29,796	21,370	(8,426)	25,268	24,868	(400)
Public Administrator	44,520	37,054	(7,466)	47,800	36,218	(11,582)
Sheriff	551,550	519,640	(31,910)	556,480	509,502	(46,978)
Jail	130,500	131,898	1,398	131,000	118,613	(12,387)
Prosecuting Attorney	104,893	104,745	(148)	97,636	94,690	(2,946)
Juvenile Officer	20,100	12,601	(7,499)	18,014	16,433	(1,581)
County Coroner	18,300	12,824	(5,476)	19,900	18,116	(1,784)
Emergency Fund	44,000	120	(43,880)	43,000	9,326	(33,674)
Insurance	26,500	23,951	(2,549)	19,000	22,464	3,464
Publication	1,500	1,126	(374)	1,500	1,442	(58)
Planning Commission	3,100	3,431	331	3,000	3,095	95
Univeristy Extension	27,000	27,000	-	26,000	26,000	-
Copy Machine	5,000	4,340	(660)	6,500	4,597	(1,903)
Prosecuting Attorney Retirement	2,500	2,431	(69)	2,250	2,244	(6)
Public Defender Rent	2,220	2,310	90	2,225	2,724	499
St. Cit Multi-Purpose Center	4,000	4,000	-	4,000	4,000	-
MAC Dues & NACO	1,400	1,407	7	1,400	1,416	16
OATS	600	600	-	600	600	-
Sullivan County Community Development	5,100	5,100	-	5,100	5,100	-
Other	-	-	-	-	3	3
Use Tax Distribution	129,000	84,091	(44,909)	-	3,000	3,000
Total Disbursements	1,668,516	1,492,445	(176,071)	1,605,135	1,447,564	(157,571)
Excess (Deficiency) of Receipts Over Disbursements	(209,616)	126,846	336,462	(151,212)	99,766	250,978
<u>Cash and Cash Equivalents-January 1</u>						
Transfers in	275,592	275,592	-	175,826	175,826	-
Transfers Out	-	-	-	-	-	-
	57,575	50,000	(7,575)	22,268	-	(22,268)
Cash and Cash Equivalents-December 31	\$ 8,401	\$ 352,438	\$ 344,037	\$ 2,346	\$ 275,592	\$ 273,246

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Road and Bridge Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	998,000	624,441	(373,559)	739,600	521,901	(217,699)
Charges for Services	-	777,862	777,862	44,200	74,469	30,269
Interest Income	-	2,641	2,641	3,000	1,718	(1,282)
Other	-	8,435	8,435	300,100	331	(299,769)
Total Receipts	998,000	1,413,379	415,379	1,086,900	598,419	(488,481)
<u>Disbursements</u>						
Salary	240,000	189,054	(50,946)	131,500	131,500	-
Employee Fringe Benefits	74,400	44,591	(29,809)	33,200	34,260	1,060
Supplies	564,300	93,701	(470,599)	277,300	23,034	(254,266)
Insurance	10,200	5,734	(4,466)	8,200	3,288	(4,912)
Road and Bridge Materials	60,000	147,626	87,626	200,000	35,784	(164,216)
Equipment Repairs	15,000	46,812	31,812	10,000	6,430	(3,570)
Equipment Purchases	115,000	215,737	100,737	52,000	-	(52,000)
Road and Bridge Construction	440,000	273,377	(166,623)	728,340	236,882	(491,458)
Road & Bridge Building	1,000	35,665	34,665	1,000	-	(1,000)
Utilities	2,000	4,746	2,746	2,000	468	(1,532)
Brush Spraying	10,000	-	(10,000)	10,000	-	(10,000)
Total Disbursements	1,531,900	1,057,043	(474,857)	1,453,540	471,646	(981,894)
Excess (Deficiency) of Receipts Over Disbursements	(533,900)	356,336	890,236	(366,640)	126,773	493,413
<u>Cash and Cash Equivalents-January 1</u>	544,682	544,682	-	417,909	417,909	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Cash Equivalents-December 31	\$ 10,782	\$ 901,018	\$ 890,236	\$ 51,269	\$ 544,682	\$ 493,413

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Assessment Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	126,500	124,560	(1,940)	121,000	130,690	9,690
Charges for Services	-	-	-	-	-	-
Interest Income	300	147	(153)	350	211	(139)
Other	50,500	940	(49,560)	8,518	681	(7,837)
Total Receipts	177,300	125,647	(51,653)	129,868	131,582	1,714
<u>Disbursements</u>						
Assessor's Salary	36,000	34,000	(2,000)	34,000	34,000	-
Deputy and Clerical Salaries	52,500	49,462	(3,038)	47,378	47,378	-
Fringe Benefits	12,270	12,192	(78)	8,100	9,365	1,265
Office Supplies	4,370	2,349	(2,021)	4,370	4,069	(301)
Equipment	4,000	79,873	75,873	14,500	12,067	(2,433)
Mileage and Training	3,800	3,763	(37)	3,800	2,637	(1,163)
Map Maintenance	-	-	-	1,100	1,100	-
Telephone	2,300	2,187	(113)	2,300	2,141	(159)
Health Insurance	12,500	11,775	(725)	13,320	11,681	(1,639)
Postage	3,000	2,334	(666)	3,000	375	(2,625)
Other	10,774	-	(10,774)	-	-	-
GIS Mapping	33,700	-	(33,700)	-	-	-
Ortho Imagery	35,900	-	(35,900)	-	-	-
Total Disbursements	211,114	197,935	(13,179)	131,868	124,813	(7,055)
Excess (Deficiency) of Receipts Over Disbursements	(33,814)	(72,288)	(38,474)	(2,000)	6,769	8,769
<u>Cash and Cash Equivalents-January 1</u>	35,062	35,062	-	28,293	28,293	-
Transfers In	-	50,000	50,000	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 1,248	\$ 12,774	\$ 11,526	\$ 26,293	\$ 35,062	\$ 8,769

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Law Enforcement Training Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	1,500	1,836	336	1,400	1,668	268
Interest	-	-	-	-	-	-
Other	200	-	(200)	750	-	(750)
Total Receipts	1,700	1,836	136	2,150	1,668	(482)
<u>Disbursements</u>						
Mileage and Training	4,000	3,190	(810)	1,500	1,547	47
Total Disbursements	4,000	3,190	(810)	1,500	1,547	47
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(2,300)	(1,354)	946	650	121	(529)
<u>Cash and Cash Equivalents-January 1</u>	2,316	2,316	-	2,195	2,195	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 16	\$ 962	\$ 946	\$ 2,845	\$ 2,316	\$ (529)

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Prosecuting Attorney Training Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	400	459	59	400	419	19
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	400	459	59	400	419	19
<u>Disbursements</u>						
Mileage and Training	900	484	(416)	450	-	(450)
Other	-	396	396	-	-	-
Total Disbursements	900	880	(20)	450	-	(450)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(500)	(421)	79	(50)	419	469
<u>Cash and Cash Equivalents-January 1</u>	518	517	(1)	98	98	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	<u>\$ 18</u>	<u>\$ 96</u>	<u>\$ 78</u>	<u>\$ 48</u>	<u>\$ 517</u>	<u>\$ 469</u>

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
L.E.P.C. (CEPF) Fund
For the Years Ended December 31, 2015 and 2014

	2015 Budget	2015 Actual	Variance	2014 Budget	2014 Actual	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	26,500	2,799	(23,701)	2,500	-	(2,500)
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	77	77
Total Receipts	26,500	2,799	(23,701)	2,500	77	(2,423)
<u>Disbursements</u>						
L.E.P.C. Training	2,000	2,890	890	2,500	276	(2,224)
Other	2,000	-	(2,000)	2,000	373	(1,627)
RSOC Grant (Generators)	24,000	-	(24,000)	-	-	-
Total Disbursements	28,000	2,890	(25,110)	4,500	649	(3,851)
Excess (Deficiency) of Receipts Over Disbursements	(1,500)	(91)	1,409	(2,000)	(572)	1,428
<u>Cash and Cash Equivalents-January 1</u>	1,770	1,770	-	2,342	2,342	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 270	\$ 1,679	\$ 1,409	\$ 342	\$ 1,770	\$ 1,428

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
L.E.P.C. (EMD) Fund
For the Years Ended December 31, 2015 and 2014

	2015 Budget	2015 Actual	Variance	2014 Budget	2014 Actual	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	4,390	4,390	-	8,505	8,505
Total Receipts	-	4,390	4,390	-	8,505	8,505
<u>Disbursements</u>						
Mileage and Training	7,500	4,473	(3,027)	14,350	8,192	(6,158)
Other	-	229	229	78	78	-
Total Disbursements	7,500	4,702	(2,798)	14,428	8,270	(6,158)
Excess (Deficiency) of Receipts Over Disbursements	(7,500)	(312)	7,188	(14,428)	235	14,663
<u>Cash and Cash Equivalents-January 1</u>	313	313	-	78	78	-
Transfers In	7,575	-	(7,575)	14,350	-	(14,350)
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 388	\$ 1	\$ (387)	\$ -	\$ 313	\$ 313

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Prosecuting Attorney Delinquent Tax Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	-	-	-	-	-	-
<u>Disbursements</u>	-	-	-	-	-	-
Other	-	-	-	5	-	(5)
Total Disbursements	-	-	-	5	-	(5)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	-	-	-	(5)	-	5
<u>Cash and Cash Equivalents-January 1</u>	5	5	-	5	5	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>5</u>

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Prosecuting Attorney Bad Check Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	6,000	2,778	(3,222)	6,000	5,379	(621)
Interest Income	-	-	-	-	-	-
Other	-	1,073	1,073	-	1,497	1,497
Total Receipts	6,000	3,851	(2,149)	6,000	6,876	876
<u>Disbursements</u>						
Other	7,000	4,420	(2,580)	7,500	7,842	342
Victims Advocate (Training)	-	-	-	500	-	(500)
Total Disbursements	7,000	4,420	(2,580)	8,000	7,842	(158)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(1,000)	(569)	431	(2,000)	(966)	1,034
<u>Cash and Cash Equivalents-January 1</u>	1,228	1,228	-	2,194	2,194	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 228	\$ 659	431	\$ 194	\$ 1,228	1,034

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Recorder's Storage and Retention Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	2,500	2,276	(224)	2,600	2,450	(150)
Interest Income	5	-	(5)	50	5	(45)
Other	-	-	-	-	-	-
Total Receipts	2,505	2,276	(229)	2,650	2,455	(195)
<u>Disbursements</u>						
Recorder of Deeds	7,000	4,342	(2,658)	8,500	4,102	(4,398)
Total Disbursements	7,000	4,342	(2,658)	8,500	4,102	(4,398)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(4,495)	(2,066)	2,429	(5,850)	(1,647)	4,203
<u>Cash and Cash Equivalents-January 1</u>	4,650	4,650	-	6,297	6,297	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 155	\$ 2,584	2,429	\$ 447	\$ 4,650	4,203

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Recorder's Technology Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	1,500	1,311	(189)	1,500	1,480	(20)
Interest Income	-	-	-	20	12	(8)
Other	-	-	-	-	-	-
Total Receipts	1,500	1,311	(189)	1,520	1,492	(28)
<u>Disbursements</u>						
Recorder of Deeds	3,000	775	(2,225)	6,500	4,954	(1,546)
Total Disbursements	3,000	775	(2,225)	6,500	4,954	(1,546)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(1,500)	536	2,036	(4,980)	(3,462)	1,518
<u>Cash and Cash Equivalents-January 1</u>	1,740	1,740	-	5,202	5,202	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 240	\$ 2,276	2,036	\$ 222	\$ 1,740	1,518

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Sheriff's Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	16,400	18,275	1,875	17,000	15,869	(1,131)
Charges for Services	-	-	-	-	-	-
Interest Income	30	26	(4)	50	29	(21)
Other	1,100	2,387	1,287	500	1,194	694
Total Receipts	17,530	20,688	3,158	17,550	17,092	(458)
<u>Disbursements</u>						
Other	15,500	10,895	(4,605)	7,000	8,364	1,364
Equipment	5,000	5,634	634	15,000	9,253	(5,747)
Uniforms	2,000	1,552	(448)	3,000	2,127	(873)
Total Disbursements	22,500	18,081	(4,419)	25,000	19,744	(5,256)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(4,970)	2,607	7,577	(7,450)	(2,652)	4,798
<u>Cash and Cash Equivalents-January 1</u>	5,377	5,377	-	8,029	8,029	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 407	\$ 7,984	7,577	\$ 579	\$ 5,377	4,798

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
SCMH Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	220,000	253,104	33,104	210,000	244,981	34,981
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	1,000	329	(671)	100	379	279
Other	-	-	-	-	-	-
Total Receipts	221,000	253,433	32,433	210,100	245,360	35,260
<u>Disbursements</u>						
Capital Improvements	235,000	75,621	(159,379)	210,000	335,787	125,787
Total Disbursements	235,000	75,621	(159,379)	210,000	335,787	125,787
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(14,000)	177,812	191,812	100	(90,427)	(90,527)
<u>Cash and Cash Equivalents-January 1</u>	18,065	18,065	-	108,492	108,492	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 4,065	\$ 195,877	\$ 191,812	\$ 108,592	\$ 18,065	\$ (90,527)

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Election Services Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	4,000	-	(4,000)	5,000	3,129	(1,871)
Charges for Services	-	-	-	-	-	-
Interest Income	5	-	(5)	12	3	(9)
Other	-	-	-	-	-	-
Total Receipts	4,005	-	(4,005)	5,012	3,132	(1,880)
<u>Disbursements</u>						
Elections	1,000	-	(1,000)	2,500	2,840	340
Mileage & Training	3,000	-	(3,000)	2,500	1,793	(707)
Other	-	-	-	-	300	300
Total Disbursements	4,000	-	(4,000)	5,000	4,933	(67)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	5	-	(5)	12	(1,801)	(1,813)
<u>Cash and Cash Equivalents-January 1</u>	54	54	-	1,855	1,855	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 59	\$ 54	\$ (5)	\$ 1,867	\$ 54	\$ (1,813)

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
CDBG (Bridge) Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	500,000	-	(500,000)	550,000	563,082	13,082
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	500,000	-	(500,000)	550,000	563,082	13,082
<u>Disbursements</u>						
Materials & Engineering	500,000	-	(500,000)	550,000	563,082	13,082
Total Disbursements	500,000	-	(500,000)	550,000	563,082	13,082
Excess (Deficiency) of Receipts Over Disbursements	-	-	-	-	-	-
<u>Cash and Cash Equivalents-January 1</u>	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Cash Equivalents-December 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Tax Maintenance Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	10,000	16,699	6,699	14,000	11,773	(2,227)
Interest Income	65	68	3	100	51	(49)
Other	-	-	-	-	1	1
Total Receipts	10,065	16,767	6,702	14,100	11,825	(2,275)
<u>Disbursements</u>						
Office Expense and Training	29,000	13,772	(15,228)	24,000	5,298	(18,702)
Total Disbursements	29,000	13,772	(15,228)	24,000	5,298	(18,702)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(18,935)	2,995	21,930	(9,900)	6,527	16,427
<u>Cash and Cash Equivalents-January 1</u>	19,317	19,317	-	12,790	12,790	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 382	\$ 22,312	\$ 21,930	\$ 2,890	\$ 19,317	\$ 16,427

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Victim's Advocate Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	-	-	-	-	-	-
<u>Disbursements</u>						
Training	-	-	-	165	165	-
Total Disbursements	-	-	-	165	165	-
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	-	-	-	(165)	(165)	-
<u>Cash and Cash Equivalents-January 1</u>	-	-	-	165	165	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Cash Equivalents-December 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Victim's of Domestic Violence Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	200	268	68	220	200	(20)
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	200	268	68	220	200	(20)
<u>Disbursements</u>						
Health & Welfare	940	-	(940)	925	-	(925)
Total Disbursements	940	-	(940)	925	-	(925)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(740)	268	1,008	(705)	200	905
<u>Cash and Cash Equivalents-January 1</u>	940	940	-	740	740	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 200	\$ 1,208	\$ 1,008	\$ 35	\$ 940	\$ 905

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Inmate Security Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	4,500	5,439	939	1,700	5,116	3,416
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	4,500	5,439	939	1,700	5,116	3,416
<u>Disbursements</u>						
Livescan Maintenance Fee	11,000	-	(11,000)	12,000	-	(12,000)
MODEX 10 IS	10,000	-	(10,000)	1,000	-	(1,000)
Total Disbursements	21,000	-	(21,000)	13,000	-	(13,000)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(16,500)	5,439	21,939	(11,300)	5,116	16,416
<u>Cash and Cash Equivalents-January 1</u>	16,661	16,661	-	11,545	11,545	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 161	\$ 22,100	\$ 21,939	\$ 245	\$ 16,661	\$ 16,416

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
NCMO Lake Project Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	220,000	252,937	32,937	220,000	244,633	24,633
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	25	19	(6)	20	25	5
Other	-	-	-	-	-	-
Total Receipts	220,025	252,956	32,931	220,020	244,658	24,638
<u>Disbursements</u>						
Other	220,000	252,954	32,954	220,000	244,658	24,658
Total Disbursements	220,000	252,954	32,954	220,000	244,658	24,658
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	25	2	(23)	20	-	(20)
<u>Cash and Cash Equivalents-January 1</u>	1	1	-	1	1	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ 26	\$ 3	\$ (23)	\$ 21	\$ 1	\$ (20)

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Senior Services Tax Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ 6,217	\$ 6,217	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	-	6,217	6,217	-	-	-
<u>Disbursements</u>						
Senior Citizens	-	-	-	-	-	-
Total Disbursements	-	-	-	-	-	-
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	-	6,217	6,217	-	-	-
<u>Cash and Cash Equivalents-January 1</u>	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ -	\$ 6,217	\$ 6,217	\$ -	\$ -	\$ -

Sullivan County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Cash Equivalents-
Budget and Actual - All Government Funds: Regulatory Basis
Law Enforcement Restitution Fund
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	7,711	7,711	-	3,481	3,481
Total Receipts	-	7,711	7,711	-	3,481	3,481
<u>Disbursements</u>						
Other	-	6,200	6,200	-	1,496	1,496
Total Disbursements	-	6,200	6,200	-	1,496	1,496
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	-	1,511	1,511	-	1,985	1,985
<u>Cash and Cash Equivalents-January 1</u>	-	7,256	7,256	-	5,271	5,271
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Cash Equivalents-December 31</u>	\$ -	\$ 8,767	\$ 8,767	\$ -	\$ 7,256	\$ 7,256

Sullivan County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sullivan County (the County) is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: County Clerk, Recorder, Assessor, Prosecuting Attorney, Public Administrator, Circuit Clerk, Sheriff, County Collector/Treasurer, and Coroner.

The financial statements of Sullivan County, Missouri (the County) have been prepared on the regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Financial Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Sullivan County and the Sullivan County Senior Services Board.

Sullivan County's operations include tax assessments and collections, state and county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreational services.

The financial statements referred to above include only the primary government of Sullivan County, Missouri, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise Sullivan County's legal entity. The Sullivan County Senior Services Board is controlled by a separate board but is included under the control of Sullivan County.

Certain elected County officials, such as the County Collector/Treasurer and Sheriff, collect and hold monies in a trustee capacity as an agent of individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and are unaudited.

BASIS OF PRESENTATION

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Sullivan County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senior Services Board. The General Revenue Fund is the county's general operation fund, accounting for all financial resources except those whose use is restricted for specified purposes.

Sullivan County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Sullivan County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

BUDGETS and BUDGETARY ACCOUNTING

In accordance with Chapter 50 RSMo, Sullivan County adopts a budget for each governmental fund. For the years ended December 31, 2015 and 2014 Sullivan County did not adopt a separate budget for the Law Enforcement Restitution Fund and the Senior Services Tax Fund was not budgeted for the year ended December 31, 2014.

On or before January 15th, each elected officer and department director transmits to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based on an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparison in these financial statements, however, does not present encumbered fund balances, but only compares budgeted and actual revenues and expenditures. During my audit, I noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. The Law Enforcement Training Fund, SCMH Fund, CDBG (Bridge) Fund and the NCMO Lake Project Fund all had expenses exceeding their budget for 2014, as did the NCMO Lake Project Fund for 2015.

Sullivan County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A public hearing is conducted to obtain public comments. Prior to its approval by the County Commission, the budget document is available for public inspection. Prior to February 1, the budget is legally enacted by a vote of the County Commission. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

CASH AND CASH EQUIVALENTS

Deposits are stated at cost, which approximates market. Cash balances for all the County Treasurer's Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principle and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Sullivan County's name at third-party banking institutions. Details of these cash balances are presented in Note 3.

NOTE 2 – STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The County incurred no material violations of finance related legal and contractual provisions.

Excess of Expenditures over Appropriations in Individual funds

The Law Enforcement Training Fund, the SCMH Fund, the CDBG (Bridge) Fund and the NCMO Lake Project Fund has excess of expenditures over appropriations for the year ended December 31, 2014. The NCMO Lake Project Fund has excess of expenditures over appropriations for the year ended December 31, 2015.

Sullivan County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 3 – CASH and CASH EQUIVALENTS

Sullivan County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as "Cash and Cash Equivalents".

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, the carrying amounts of Sullivan County's deposits were \$1,539,014 and \$935,546 respectively, and the bank balances were \$1,626,519 and \$993,531 respectively. At December 31, 2015 and 2014, 100% of Sullivan County's deposits and investments were covered by the Federal Deposit Insurance Corporation (FDIC) or were collateralized.

The carrying amount of deposits shown above are included in the financial statements at December 31, 2015 and 2014 as follows:

Total Cash and Cash Equivalents as of December 31, 2015	<u>\$ 1,539,014</u>
Total Cash and Cash Equivalents as of December 31, 2014	<u>\$ 935,546</u>

State Law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city having a population of not less than two thousand, county, school district, or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits.

Investments- the County may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. treasury obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. Sullivan County's investment policy does not include custodial credit risk requirements. Sullivan County's deposits were not exposed to custodial credit risk for the years ended December 31, 2015 and 2014.

Sullivan County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 3 – CASH and CASH EQUIVALENTS (continued)

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Sullivan County or its agent but not in the government's name. Sullivan County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Sullivan County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Sullivan County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

Concentration of credit risk is required to be disclosed by Sullivan County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Sullivan County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Sullivan County's deposits were not exposed to concentration of investment credit risk for the years ended December 31, 2015 and 2014.

NOTE 4-INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2015 and 2014 are as follows:

<u>Fund</u>	2015		2014	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Revenue	\$ -	\$ 50,000	\$ -	\$ -
Assessment Fund	50,000	-	-	-
Total	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>

Sullivan County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 5 – TAXES

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1st and payable by December 31st of each year. Taxes paid after December 31 are delinquent and subject to penalties.

The assessed valuation of the tangible taxable property, included within Sullivan County's boundaries for the calendar years 2015 and 2014 for the purposes of County taxation was as follows:

	2015	2014
Real Estate	\$ 52,780,305	\$ 52,767,261
Personal Property	30,355,402	28,754,676
Railroad and Utilities	5,743,975	6,184,008
Total	\$ 88,879,682	\$ 87,705,945

The County also receives sales tax collected by the state and remitted based on the County's sales tax rate to the total sales tax collected in the County.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2015 and 2014 for purposes of County taxation was:

	2015	2014
General Revenue Fund	.3121	.2264
Senior Services Tax Fund	.0503	.0000
Total	.3624	.2264

NOTE 6 – COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, county sheriffs covered under Sections 57.949 to 57.997, RSMo, circuit clerks and deputy circuit clerks covered under Missouri State Retirement System and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

Sullivan County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 6 – COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (continued).

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County employees is determined by selecting the highest benefit by calculation using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, Missouri 65101, or by calling 573-632-9203.

Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2015 and 2014, the County collected and remitted to CERF, employee contributions of \$32,206 and \$29,733, respectively, for the years then ended.

NOTE 7 – PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with Section 56.807 RSMo, Sullivan County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorney's and Circuit Attorney's Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. Sullivan County has contributed \$2,431 and \$2,244, respectively, for the years ended December 31, 2015 and 2014.

NOTE 8 – POST EMPLOYMENT BENEFITS

Sullivan County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Sullivan County.

Sullivan County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 9 – CLAIMS, COMMITMENTS and CONTINGENCIES

Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

Litigation

Sullivan County is not involved in any pending litigations as of December 31, 2015.

Compensated Absences

Vacation time is considered as expenditures in the year paid. Vacation time is awarded based on years of service and must be used in its entirety prior to the employee's next anniversary date. The county does not have personal days, but compensated time can be earned by working overtime.

NOTE 10 – CHANGE IN BASIS OF ACCOUNTING

Sullivan County, Missouri has changed its basis of accounting from presenting its financial statements in accordance with GASB 34 for 2014 and 2015 on the cash basis of accounting to the regulatory basis of accounting as prescribed or permitted in accordance with state law. The accounting change had no effect on the beginning cash balances of the various county funds.

NOTE 11 – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying amount of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage the past three years.

NOTE 12 – SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 29, 2016, the date the financial statements were available to be issued. Based up on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the financial statements.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the County Commission
Officeholders of Sullivan County
Milan, Missouri

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sullivan County, Missouri as of and for the year ended December 31, 2015 and December 31, 2014, and the related notes to the financial statements, which collectively comprise Sullivan County, Missouri's basic financial statements, and have issued my report thereon, dated July 29, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements I considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, I do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my testing disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 15-1.

Sullivan County, Missouri's Response to Findings

Sullivan County, Missouri's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. Sullivan County, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entities internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entities internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lisa C. Wjark, CPA, LLC
Columbia, MO
July 29, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR A MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133**

To the County Commissioners
Sullivan County, Missouri
Milan, Missouri

Report on Compliance for Each Major Federal Program

I have audited Sullivan County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the years ended December 31, 2015 and 2014. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the County's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for a major federal program. However, my audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In my opinion, Sullivan County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2015 and 2014.



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Report on Internal Control over Compliance

Management of Sullivan County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The report is intended solely for the information and use of management, County Commission, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lisa C. Wynn, CPA, LLC
Columbia, MO
July 29, 2016

Sullivan County, Missouri
Schedule of Expenditures of Federal Awards
For the Years Ended December 31, 2015 and 2014

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM NAME	CFDA Number	Pass- Through Grantor No	Federal Expenditures for Year Ended December 31, 2014	Federal Expenditures for Year Ended December 31, 2015
U.S. Department of Justice				
Crime Victim Assistance	16.575		\$21,243	\$21,743
U.S Department of Transportation				
Passed through state:				
Highway and Transportation Commission-				
Highway Planning and Construction	20.205	BRO- B105(23)	563,082	6,928
U.S. Department of Homeland Security				
Emergency Management Performance Grants	97.042	EMW- 2014-EP- 0C	15,150	6,454
Homeland Security Grant Program	97.067		24,000	--
Total Expenditures of Federal Awards			<hr/> \$ 623,475	<hr/> \$35,125

Sullivan County, Missouri
Notes to Schedule of Expenditures of Federal Awards
December 31, 2015 and 2014

Note 1- Summary of Significant Accounting Policies

The accompanying Schedules of Expenditures of Federal Awards summarizes activity of the County's federal award programs. The schedules have been prepared on the cash basis of accounting.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Matching Requirements

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the federally funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the schedule.

Note 2- Subrecipients

The Sullivan County provided no federal awards to a subrecipient during the years ended December, 31 2015 and 2014.

Sullivan County, Missouri
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2015 and 2014

Section 1 – Summary of Auditor’s Results

Financial Statement

Type of auditor’s report issued	Unmodified Regulatory Basis	
Internal control over financial reporting		
Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiencies identified that were not considered to be material weaknesses?	_____ Yes	___X___ No
Any noncompliance material to financial Statements noted?	___X___ Yes	_____ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiencies identified that were not considered to be material weaknesses?	_____ Yes	___X___ No
Type of auditor’s report issued on Compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133?	_____ Yes	___X___ No

Identification of Major Programs

CFDA <u>Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish Between type A and type B programs:	\$ <u>300,000</u>
--	-------------------

Auditee qualified as low-risk auditee?	_____ Yes	___X___ No
--	-----------	------------

Sullivan County, Missouri
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2015 and 2014

Section 2-Financial Statement Findings

15-1 Condition: During my audit, I noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. The Law Enforcement Training Fund, SCMH Fund, CDBG (Bridge) Fund and the NCMO Lake Project Fund all had expenses exceeding their budget for 2014, as did the NCMO Lake Project Fund for 2015. Furthermore the Law Enforcement Restitution Fund was not budgeted for the years ended December 31, 2015 and December 31, 2014, and the Senior Services Tax Fund was not budgeted for the year ended December 31, 2014.

Criteria: Section 50.740 prohibits expenditures in excess of approved budgets. Additionally, case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved including holding public hearings and filing the amended budget with the State Auditor's Office. Furthermore Missouri budgetary state statute Chapter 50 RSMo requires a County to adopt a budget for each governmental fund.

Effect: Due to exceeding budget in certain funds and not budgeting for the Law Enforcement Restitution Fund and the Senior Services Tax Fund, the County is in violation of Missouri Revised Statutes.

Cause: Oversight

Recommendation: I recommend that the County ensure compliance with State Statutes by refraining from approving expenditures in excess of budgeted amounts and properly budgeting for each governmental fund. In the event that the originally adopted budget is inadequate to finance current year unforeseen expenditures, budgetary amendments should be discussed in public meeting and formally adopted by the County Commission.

Management's Response: We will continue evaluating the issue.

Section 3:

This section contains no audit findings that A-133 requires to be reported for an audit of financial statements.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Linn County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Linn County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Lisa C Wright, LLC, Certified Public Accountant, is attached.

Nicole R. Galloway, CPA
State Auditor

September 2016
Report No. 2016-104

Linn County, Missouri
December 31, 2015 and 2014
Financial Statements

Prepared by:
Lisa C. Wright, CPA, LLC
Certified Public Accountant
Columbia, MO

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Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the County Commission and Officeholders of
Linn County
Linneus, Missouri

I have audited the accompanying financial statements of Linn County, Missouri as of and for the years ended December 31, 2015 and December 31, 2014 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based upon my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Linn County, Missouri, using accounting practices prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the County, as of December 31, 2015 and 2014, or the changes in its financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of the County, as of December 31, 2015 and 2014, and the respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 13, 2016, on my consideration of the County’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance.



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Other Matters

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Linn County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *Audits of State and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lisa C. Wright, CPA, LLC

Lisa C. Wright, CPA, LLC
July 13, 2016



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Linn County, Missouri
Statement of Receipts, Disbursements and Changes in Cash -
All Government Funds: Regulatory Basis
For the Year Ended December 31, 2015

Fund	Cash and Cash Equivalents	Receipts	Disbursements	Cash and Cash Equivalents
	January 1, 2015			December 31, 2015
General Revenue Fund	\$ 1,196,959	\$ 1,783,651	\$ 1,725,089	\$ 1,255,521
Assessment Fund	164,337	214,062	210,572	167,827
Road and Bridge Fund	1,444,893	2,041,804	1,927,805	1,558,892
Special Election Fund	27,936	2,874	-	30,810
Check Collection Fund	13,683	6,931	6,957	13,657
Sheriff Training Fund	6,488	5,022	5,965	5,545
Prosecuting Attorney Training Fund	2,436	836	391	2,881
Recorders Fund	19,722	6,635	7,097	19,260
Shelter of Victims Fund	275	335	250	360
Tax Maintenance Fund	27,726	18,514	19,691	26,549
Juvenile Officer Grant Fund	(9,798)	44,818	46,460	(11,440)
Drug Court Grant Fund	5,633	45,277	45,786	5,124
Senior Citizens Services Fund	1,403	71,530	61,221	11,712
CLERF	300	4,944	-	5,244
Deputy Sheriff Fund	(609)	28,166	31,468	(3,911)
Total	\$ 2,901,384	\$ 4,275,399	\$ 4,088,752	\$ 3,088,031

The Accompanying Notes are an Integral Part of these Financial Statements.

Linn County, Missouri
Statement of Receipts, Disbursements and Changes in Cash -
All Government Funds: Regulatory Basis
For the Year Ended December 31, 2014

Fund	Cash and Cash Equivalents	Receipts	Disbursements	Cash and Cash Equivalents
	January 1, 2014			December 31, 2014
General Revenue Fund	\$ 1,179,181	\$ 1,740,289	\$ 1,722,511	\$ 1,196,959
Assessment Fund	133,056	212,201	180,920	164,337
Road and Bridge Fund	1,326,418	1,387,287	1,268,812	1,444,893
Special Election Fund	23,144	4,792	-	27,936
Check Collection Fund	12,725	8,055	7,097	13,683
Sheriff Training Fund	6,815	4,889	5,216	6,488
Prosecuting Attorney Training Fund	2,931	862	1,357	2,436
Recorders Fund	16,901	6,585	3,764	19,722
Shelter of Victims Fund	700	275	700	275
Tax Maintenance Fund	26,701	24,075	23,050	27,726
Juvenile Officer Grant Fund	(10,683)	61,969	61,084	(9,798)
Drug Court Grant Fund	8,237	48,493	51,097	5,633
Senior Citizens Services Fund	128	72,178	70,903	1,403
CLERF	-	300	-	300
Deputy Sheriff Fund	(2,665)	22,040	19,984	(609)
Total	<u>\$ 2,723,589</u>	<u>\$ 3,594,290</u>	<u>\$ 3,416,495</u>	<u>\$ 2,901,384</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
General Revenue Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Taxes - Sales	\$ 645,000	\$ 645,000	\$ 686,801	\$ 41,801	\$ 550,000	\$ 550,000	\$ 672,878	\$ 122,878
Taxes - Property	108,000	108,000	131,440	23,440	107,000	107,000	132,940	25,940
Intergovernmental Revenues	303,220	303,220	377,798	74,578	310,845	310,845	367,200	56,355
Charges for Services	367,100	367,100	401,698	34,598	352,550	352,550	404,583	52,033
Interest Income	450	450	973	523	2,000	2,000	647	(1,353)
Other	70,970	70,970	93,141	22,171	64,920	64,920	101,621	36,701
Total Receipts	1,494,740	1,494,740	1,691,851	197,111	1,387,315	1,387,315	1,679,869	292,554
<u>Disbursements</u>								
County Commissioner	159,200	159,200	90,640	(68,560)	159,100	159,100	135,202	(23,898)
County Clerk	101,000	101,000	83,601	(17,399)	98,900	98,900	88,728	(10,172)
Elections	164,800	164,800	44,775	(120,025)	164,800	164,800	103,505	(61,295)
Buildings	223,100	223,100	94,981	(128,119)	223,100	223,100	94,398	(128,702)
Employee Fringe Benefits	192,500	192,500	159,242	(33,258)	192,500	192,500	157,768	(34,732)
County Collector	71,727	71,727	67,313	(4,414)	72,002	72,002	64,542	(7,460)
Recorder of Deeds	79,800	79,800	79,205	(595)	78,333	78,333	76,562	(1,771)
Circuit Clerk	44,500	44,500	31,213	(13,287)	44,500	44,500	30,894	(13,606)
Court Administration	56,350	56,350	63,396	7,046	44,450	44,450	44,276	(174)
Public Administrator	28,400	28,400	28,288	(112)	28,400	28,400	27,389	(1,011)
Sheriff	394,800	394,800	384,990	(9,810)	329,254	329,254	330,226	972
Jail	185,000	185,000	172,224	(12,776)	172,000	172,000	145,952	(26,048)
Prosecuting Attorney	156,166	156,166	148,119	(8,047)	161,761	161,761	150,827	(10,934)
Juvenile Officer	81,875	81,875	47,187	(34,688)	73,375	73,375	73,339	(36)
County Coroner	25,935	25,935	17,196	(8,739)	25,935	25,935	22,197	(3,738)
Health and Welfare	2,500	2,500	-	(2,500)	2,500	2,500	2,500	-
Emergency Fund	400,000	400,000	-	(400,000)	380,000	380,000	-	(380,000)
Assessment	15,000	15,000	-	(15,000)	37,000	37,000	-	(37,000)
Other	342,835	342,835	212,719	(130,116)	318,712	318,712	174,206	(144,506)
Total Disbursements	2,725,488	2,725,488	1,725,089	(1,000,399)	2,606,622	2,606,622	1,722,511	(884,111)
Excess (Deficiency) of Receipts Over Disbursements	(1,230,748)	(1,230,748)	(33,238)	1,197,510	(1,219,307)	(1,219,307)	(42,642)	1,176,665
Cash and Cash Equivalents - Beginning of Year	1,196,959	1,196,959	1,196,959	-	1,179,181	1,179,181	1,179,181	-
Transfers In	65,000	65,000	91,800	26,800	60,000	60,000	60,420	420
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ 31,211	\$ 31,211	\$ 1,255,521	\$ 1,224,310	\$ 19,874	\$ 19,874	\$ 1,196,959	\$ 1,177,085

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Assessment Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	200,743	200,743	212,758	12,015	198,258	198,258	210,276	12,018
Charges for Services	-	-	7	7	300	300	6	(294)
Interest Income	300	300	107	(193)	-	-	78	78
Other	2,000	2,000	1,190	(810)	1,978	1,978	1,841	(137)
Total Receipts	203,043	203,043	214,062	11,019	200,536	200,536	212,201	11,665
<u>Disbursements</u>								
Assessor's annual salary	40,000	40,000	40,000	-	40,000	40,000	40,000	-
Deputy and clerical annual salaries	86,543	86,543	85,682	(861)	76,337	76,337	73,109	(3,228)
Fringe Benefits	8,500	8,500	9,104	604	8,500	8,500	8,108	(392)
Office Supplies	12,500	12,500	10,936	(1,564)	12,500	12,500	10,796	(1,704)
Equipment	23,500	23,500	17,895	(5,605)	24,000	24,000	18,656	(5,344)
Mileage and Training	6,000	6,000	4,918	(1,082)	6,000	6,000	3,348	(2,652)
Other	56,000	56,000	42,037	(13,963)	31,900	31,900	26,903	(4,997)
Total Disbursements	233,043	233,043	210,572	(22,471)	199,237	199,237	180,920	(18,317)
Excess (Deficiency) of Receipts Over Disbursements	(30,000)	(30,000)	3,490	33,490	1,299	1,299	31,281	29,982
Cash and Cash Equivalents - Beginning of Year	164,337	164,337	164,337	-	133,057	133,057	133,056	(1)
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ 134,337	\$ 134,337	\$ 167,827	\$ 33,490	\$ 134,356	\$ 134,356	\$ 164,337	\$ 29,981

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Road and Bridge Fund
For the Year Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Taxes - Sales	\$ 645,000	\$ 645,000	\$ 686,801	\$ 41,801	\$ 550,000	\$ 550,000	\$ 782,677	\$ 232,677
Taxes - Property	64,000	64,000	68,864	4,864	60,000	60,000	67,415	7,415
Intergovernmental Revenues	1,181,440	1,181,440	1,278,158	96,718	820,640	820,640	449,528	(371,112)
Charges for Services	-	-	-	-	-	-	67,688	67,688
Interest Income	450	450	927	477	1,500	1,500	597	(903)
Other	-	-	7,054	7,054	2,350	2,350	19,382	17,032
Total Receipts	1,890,890	1,890,890	2,041,804	150,914	1,434,490	1,434,490	1,387,287	(47,203)
<u>Disbursements</u>								
Annual Salaries of all Road and Bridge Employees	170,000	170,000	153,389	(16,611)	160,000	160,000	155,589	(4,411)
Employee Fringe Benefits	57,500	57,500	44,757	(12,743)	57,000	57,000	41,747	(15,253)
Supplies	20,250	20,250	6,566	(13,684)	19,250	19,250	5,002	(14,248)
Insurance	8,000	8,000	5,351	(2,649)	8,000	8,000	4,610	(3,390)
Road and Bridge Materials	304,000	304,000	169,128	(134,872)	304,000	304,000	75,425	(228,575)
Equipment Purchases	145,750	145,750	81,235	(64,515)	145,750	145,750	2,211	(143,539)
Construction, Repair and Maintenance	508,875	508,875	234,049	(274,826)	508,875	508,875	45,366	(463,509)
Other	1,346,730	1,346,730	1,141,530	(205,200)	1,138,730	1,138,730	878,442	(260,288)
Total Disbursements	2,561,105	2,561,105	1,836,005	(725,100)	2,341,605	2,341,605	1,208,392	(1,133,213)
Excess (Deficiency) of receipts Over Disbursements	(670,215)	(670,215)	205,799	876,014	(907,115)	(907,115)	178,895	1,086,010
Cash and Cash Equivalents - Beginning of Year	1,444,893	1,444,893	1,444,893	-	1,326,418	1,326,418	1,326,418	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	128,306	128,306	91,800	(36,506)	102,969	102,969	60,420	(42,549)
Cash and Cash Equivalents - End of Year	\$ 646,372	\$ 646,372	\$ 1,558,892	\$ 912,520	\$ 316,334	\$ 316,334	\$ 1,444,893	\$ 1,128,559

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Special Election Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	7,000	7,000	-	(7,000)
Charges for Services	3,000	3,000	2,854	(146)	27,000	27,000	4,781	(22,219)
Interest Income	10	10	20	10	30	30	11	(19)
Other	-	-	-	-	-	-	-	-
Total Receipts	3,010	3,010	2,874	(136)	34,030	34,030	4,792	(29,238)
<u>Disbursements</u>								
Equipment	10,000	10,000	-	(10,000)	25,000	25,000	-	(25,000)
Training	5,000	5,000	-	(5,000)	7,000	7,000	-	(7,000)
Total Disbursements	15,000	15,000	-	(15,000)	32,000	32,000	-	(32,000)
Excess (Deficiency) of Receipts Over Disbursements	(11,990)	(11,990)	2,874	14,864	2,030	2,030	4,792	2,762
Cash and Cash Equivalents - Beginning of Year	27,936	27,936	27,936	-	23,144	23,144	23,144	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ 15,946	\$ 15,946	\$ 30,810	\$ 14,864	\$ 25,174	\$ 25,174	\$ 27,936	\$ 2,762

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Check Collection Fund
For the Year Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Check Collection Fees For PA	\$ 20,000	\$ 20,000	\$ 6,931	\$ (13,069)	\$ 20,000	\$ 20,000	\$ 8,055	\$ (11,945)
Total Receipts	20,000	20,000	6,931	(13,069)	20,000	20,000	8,055	(11,945)
<u>Disbursements</u>								
Salaries	5,652	5,652	5,640	(12)	5,652	5,652	5,640	(12)
Payroll Taxes	432	432	431	(1)	432	432	431	(1)
Fee Expense	2,500	2,500	886	(1,614)	2,500	2,500	1,026	(1,474)
Total Disbursements	8,584	8,584	6,957	(1,627)	8,584	8,584	7,097	(1,487)
Excess (Deficiency) of Receipts Over Disbursements	11,416	11,416	(26)	(11,442)	11,416	11,416	958	(10,458)
Cash and Cash Equivalents - Beginning of Year	13,683	13,683	13,683	-	12,725	12,725	12,725	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ 25,099	\$ 25,099	\$ 13,657	\$ (11,442)	\$ 24,141	\$ 24,141	\$ 13,683	\$ (10,458)

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Sheriff Training Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	1,500	1,500	-	(1,500)
Charges for Services	4,500	4,500	5,022	522	3,000	3,000	4,889	1,889
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Receipts	4,500	4,500	5,022	522	4,500	4,500	4,889	389
<u>Disbursements</u>								
Training and Education	6,000	6,000	5,965	(35)	4,500	4,500	5,216	716
Total Disbursements	6,000	6,000	5,965	(35)	4,500	4,500	5,216	716
Excess (Deficiency) of Receipts Over Disbursements	(1,500)	(1,500)	(943)	557	-	-	(327)	(327)
Cash and Cash Equivalents - Beginning of Year	6,488	6,488	6,488	-	6,815	6,815	6,815	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ 4,988	\$ 4,988	\$ 5,545	\$ 557	\$ 6,815	\$ 6,815	\$ 6,488	\$ (327)

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Prosecuting Attorney Training Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	1,000	1,000	836	(164)	1,500	1,500	862	(638)
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Receipts	1,000	1,000	836	(164)	1,500	1,500	862	(638)
<u>Disbursements</u>								
Mileage & Training	1,500	1,500	391	(1,109)	1,500	1,500	1,357	(143)
Total Disbursements	1,500	1,500	391	(1,109)	1,500	1,500	1,357	(143)
Excess (Deficiency) of Receipts Over Disbursements	(500)	(500)	445	945	-	-	(495)	(495)
Cash and Cash Equivalents - Beginning of Year	2,436	2,436	2,436	-	2,930	2,930	2,931	1
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ 1,936	\$ 1,936	\$ 2,881	\$ 945	\$ 2,930	\$ 2,930	\$ 2,436	\$ (494)

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Recorders Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	6,300	6,300	6,616	316	6,800	6,800	6,575	(225)
Interest Income	10	10	19	9	15	15	10	(5)
Other	-	-	-	-	-	-	-	-
Total Receipts	6,310	6,310	6,635	325	6,815	6,815	6,585	(230)
<u>Disbursements</u>								
Computer Equipment and Maintenance	4,000	4,000	1,999	(2,001)	4,000	4,000	139	(3,861)
Maintenance	3,000	3,000	-	(3,000)	3,000	3,000	-	(3,000)
Book Binding	1,000	1,000	-	(1,000)	1,000	1,000	-	(1,000)
Fidlar- MicroFilming	8,000	8,000	4,350	(3,650)	8,000	8,000	1,950	(6,050)
Telephone	1,200	1,200	-	(1,200)	1,200	1,200	2	(1,198)
Training	1,500	1,500	748	(752)	1,500	1,500	1,673	173
Total Disbursements	18,700	18,700	7,097	(11,603)	18,700	18,700	3,764	(14,936)
Excess (Deficiency) of Receipts Over Disbursements	(12,390)	(12,390)	(462)	11,928	(11,885)	(11,885)	2,821	14,706
Cash and Cash Equivalents - Beginning of Year	19,722	19,722	19,722	-	16,901	16,901	16,901	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ 7,332	\$ 7,332	\$ 19,260	\$ 11,928	\$ 5,016	\$ 5,016	\$ 19,722	\$ 14,706

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Shelter of Victims Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	275	275	335	60	300	300	275	(25)
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Receipts	275	275	335	60	300	300	275	(25)
<u>Disbursements</u>								
Shelter of Victims	275	275	250	(25)	700	700	700	-
Total Disbursements	275	275	250	(25)	700	700	700	-
Excess (Deficiency) of Receipts Over Disbursements	-	-	85	85	(400)	(400)	(425)	(25)
Cash and Cash Equivalents - Beginning of Year	275	275	275	-	700	700	700	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ 275	\$ 275	\$ 360	\$ 85	\$ 300	\$ 300	\$ 275	\$ (25)

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Tax Maintenance Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	23,000	23,000	18,235	(4,765)	17,000	17,000	24,062	7,062
Charges for Services	-	-	259	259	-	-	-	-
Interest Income	10	10	19	9	30	30	13	(17)
Other	-	-	-	-	-	-	-	-
Total Receipts	23,010	23,010	18,513	(4,497)	17,030	17,030	24,075	7,045
<u>Disbursements</u>								
Salary	2,000	2,000	1,720	(280)	-	-	-	-
Fringe Benefits	500	500	120	(380)	-	-	-	-
Medical Insurance	-	-	347	347	-	-	-	-
Budgetd Allotments	32,500	32,500	17,503	(14,997)	25,000	25,000	23,050	(1,950)
Total Disbursements	35,000	35,000	19,690	(15,310)	25,000	25,000	23,050	(1,950)
Excess (Deficiency) of Receipts Over Disbursements	(11,990)	(11,990)	(1,177)	10,813	(7,970)	(7,970)	1,025	8,995
Cash and Cash Equivalents - Beginning of Year	27,726	27,726	27,726	-	26,701	26,701	26,701	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ 15,736	\$ 15,736	\$ 26,549	\$ 10,813	\$ 18,731	\$ 18,731	\$ 27,726	\$ 8,995

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Juvenile Officer Grant Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	79,023	79,023	44,818	(34,205)	74,908	74,908	61,969	(12,939)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Receipts	79,023	79,023	44,818	(34,205)	74,908	74,908	61,969	(12,939)
							-	
<u>Disbursements</u>								
Salaries	15,731	15,731	6,173	(9,558)	10,731	10,731	19,432	8,701
Payroll Taxes	650	650	472	(178)	650	650	1,487	837
Unemployment	220	220	20	(200)	220	220	253	33
Contracts & Services	32,624	32,624	33,540	916	32,624	32,624	32,137	(487)
Equipment	20,000	20,000	6,255	(13,745)	20,000	20,000	7,775	(12,225)
Total Disbursements	69,225	69,225	46,460	(22,765)	64,225	64,225	61,084	(3,141)
Excess (Deficiency) of Receipts Over Disbursements	9,798	9,798	(1,642)	(11,440)	10,683	10,683	885	(9,798)
Cash and Cash Equivalents - Beginning of Year	(9,798)	(9,798)	(9,798)	-	(10,683)	(10,683)	(10,683)	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ -	\$ -	\$ (11,440)	\$ (11,440)	\$ -	\$ -	\$ (9,798)	\$ (9,798)

The accompanying notes to financial statements are an integral part of this audit

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Drug Court Grant Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Budget	Actual 2015	Variance	Original 2014 Budget	Final 2014 Budget	Actual 2014	Variance
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	57,000	57,000	37,405	(19,595)	57,000	57,000	39,282	(17,718)
Charges for Services	8,000	8,000	7,872	(128)	8,000	8,000	6,861	(1,139)
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	2,350	2,350
Total Receipts	65,000	65,000	45,277	(19,723)	65,000	65,000	48,493	(16,507)
				-				-
<u>Disbursements</u>								
Salaries/Personnel	42,600	42,600	37,485	(5,115)	42,600	42,600	43,500	900
FICA-MED	2,300	2,300	2,157	(143)	2,300	2,300	2,157	(143)
Unemployment/Wk comp	500	500	-	(500)	500	500	169	(331)
Travel/Training	3,500	3,500	3,316	(184)	3,500	3,500	-	(3,500)
Equipment	-	-	-	-	-	-	-	-
Drug Testing	6,500	6,500	-	(6,500)	6,500	6,500	3,319	(3,181)
Contracts/Services	4,000	4,000	457	(3,543)	4,000	4,000	483	(3,517)
Other	1,600	1,600	2,371	771	1,600	1,600	1,469	(131)
Total Disbursements	61,000	61,000	45,786	(15,214)	61,000	61,000	51,097	(9,903)
Excess (Deficiency) of Receipts Over Disbursements	4,000	4,000	(509)	(4,509)	4,000	4,000	(2,604)	(6,604)
Cash and Cash Equivalents - Beginning of Year	5,633	5,633	5,633	-	8,237	8,237	8,237	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ 9,633	\$ 9,633	\$ 5,124	\$ (4,509)	\$ 12,237	\$ 12,237	\$ 5,633	\$ (6,604)

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Senior Citizens Services Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Fund	Actual 2015	Variance with Final Budget 2015 Favorable (Unfavorable)	Original 2014 Budget	Final 2014 Fund	Actual 2014	Variance with Final Budget 2014 Favorable (Unfavorable)
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	72,800	72,800	71,528	(1,272)	71,000	71,000	72,176	1,176
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	2	2	2	-	1	1	2	1
Other	-	-	-	-	-	-	-	-
Total Receipts	72,802	72,802	71,530	(1,272)	71,001	71,001	72,178	1,177
<u>Disbursements</u>								
Brookfield Site	34,000	34,000	31,720	(2,280)	32,500	32,500	32,500	-
Marceline Site	34,000	34,000	29,480	(4,520)	32,500	32,500	32,500	-
Serve Link	6,000	6,000	-	(6,000)	5,975	5,975	5,881	(94)
Newspaper Advertising	25	25	21	(4)	25	25	22	(3)
Total Disbursements	74,025	74,025	61,221	(12,804)	71,000	71,000	70,903	(97)
Excess (Deficiency) of Receipts Over Disbursements	(1,223)	(1,223)	10,309	11,532	1	1	1,275	1,274
Cash and Cash Equivalents - Beginning of Year	1,403	1,403	1,403	-	128	128	128	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ 180	\$ 180	\$ 11,712	\$ 11,532	\$ 129	\$ 129	\$ 1,403	\$ 1,274

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
CLER Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Fund	Actual 2015	Variance with Final Budget 2015 Favorable (Unfavorable)	Original 2014 Budget	Final 2014 Fund	Actual 2014	Variance with Final Budget 2014 Favorable (Unfavorable)
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Clerf Fees	-	-	4,944	4,944	-	-	300	300
Total Receipts	-	-	4,944	4,944	-	-	300	300
<u>Disbursements</u>								
Other	-	-	-	-	-	-	-	-
Total Disbursements	-	-	-	-	-	-	-	-
Excess (Deficiency) of Receipts Over Disbursements	-	-	4,944	4,944	-	-	300	300
Cash and Cash Equivalents - Beginning of Year	-	-	300	300	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ -	\$ -	\$ 5,244	\$ 5,244	\$ -	\$ -	\$ 300	\$ 300

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Comparative Statement of Receipts, Disbursements and Changes in Cash
Budget and Actual, All Government Funds: Regulatory Basis
Deputy Sheriff Fund
For the Years Ended December 31, 2015 and 2014

	Original 2015 Budget	Final 2015 Fund	Actual 2015	Variance with Final Budget 2015 Favorable (Unfavorable)	Original 2014 Budget	Final 2014 Fund	Actual 2014	Variance with Final Budget 2014 Favorable (Unfavorable)
<u>Receipts</u>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	29,770	29,770	20,677	(9,093)	26,226	26,226	14,882	(11,344)
Charges for Services	7,000	7,000	7,489	489	12,600	12,600	7,158	(5,442)
Interest Income	-	-	-	-	-	-	-	-
Clerf Fees	-	-	-	-	-	-	-	-
Total Receipts	36,770	36,770	28,166	(8,604)	38,826	38,826	22,040	(16,786)
<u>Disbursements</u>								
Budgeted Allotment	12,600	12,600	5,684	(6,916)	12,600	12,600	5,560	(7,040)
Salaries	19,740	19,740	21,611	1,871	19,740	19,740	13,239	(6,501)
Payroll Taxes	3,016	3,016	1,653	(1,363)	3,016	3,016	1,013	(2,003)
Workmen's Compensation	805	805	2,520	1,715	805	805	172	(633)
Total Disbursements	36,161	36,161	31,468	(4,693)	36,161	36,161	19,984	(16,177)
Excess (Deficiency) of Receipts Over Disbursements	609	609	(3,302)	(3,911)	2,665	2,665	2,056	(609)
Cash and Cash Equivalents - Beginning of Year	(609)	(609)	(609)	-	(2,665)	(2,665)	(2,665)	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Cash and Cash Equivalents - End of Year	\$ -	\$ -	\$ (3,911)	\$ (3,911)	\$ -	\$ -	\$ (609)	\$ (609)

The accompanying notes to financial statements are an integral part of this statement

Linn County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Linn County, Missouri (the County) have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Financial Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Linn County and Linn County Senior Citizens Services Board. Linn County's operations include tax assessments and collections, state and county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Linn County, Missouri, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise Linn County's legal entity. The Linn County Senior Citizens Services Board is controlled by a separate board and is included under the control of Linn County.

Certain elected County officials, such as the County Collector-Treasurer, and Sheriff, collect and hold monies in a trustee capacity as an agent of individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and are unaudited.

BASIS OF PRESENTATION

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Linn County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senior Citizens Services Board. The General Revenue Fund is the county's general operation fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

The Linn County SB40 Board, although a part of the county with a separate board, is separately audited by independent certified public accountants and, therefore, not included in the audit report. For a copy of the audited financial statements please contact the Linn County SB40 Board at (660)-258-2877.

Linn County, Missouri

Notes to Financial Statements

December 31, 2015 and 2014

BASIS OF ACCOUNTING

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Linn County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

BUDGETS and BUDGETARY ACCOUNTING

In accordance with Chapter 50 RSMo, Linn County adopts a budget for each governmental fund.

On or before January 15th, each elected officer and department director transmits to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based on an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparison in these financial statements, however, does not present encumbered fund balances, but only compares budgeted and actual revenues and expenditures. During my audit, I noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. The Sheriff Training Fund had expenses exceeding its budget for the year ended December 31, 2014.

A public hearing is conducted to obtain public comments. Prior to its approval by the County Commission, the budget document is available for public inspection.

Prior to February 1, the budget is legally enacted by a vote of the County Commission.

Linn County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

BUDGETS and BUDGETARY ACCOUNTING (continued)

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

CASH DEPOSITS and INVESTMENTS

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principle and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Linn County's name at third-party banking institutions. Details of these cash balances are presented in Note 3.

NOTE 2 – STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The County incurred no material violations of finance related legal and contractual provisions.

Net Assets/Fund Balance Deficit

For the two years ended December 31, 2015, the County's Juvenile Officer Grant Fund had a deficit balance.

Management indicated deficits occur because of timing issues with grants.

Linn County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 3 – CASH and INVESTMENTS

Linn County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as "Cash and Equivalents".

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, the carrying amount of Linn County's deposits were \$3,088,031 and \$2,901,384 respectively, and the bank balances were \$3,276,744 and \$3,329,250 respectively. At December 31, 2015 and 2014, 100% of Linn County's deposits and investments were covered by the Federal Deposit Insurance Corporation (FDIC) or were collateralized.

The carrying amount of deposits and investments shown above are included in the financial statements at December 31, 2015 and 2014 as follows:

Total Deposits and Investments as of December 31, 2015	<u>\$3,088,031</u>
Total Deposits and Investments as of December 31, 2014	<u>\$2,901,384</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. Linn County's investment policy does not include custodial credit risk requirements. Linn County's deposits were not exposed to custodial credit risk for the years ended December 31, 2015 and 2014.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Linn County or its agent but not in the government's name. Linn County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Linn County or of a type that are not exposed to custodial credit risk.

Linn County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 3 – CASH and INVESTMENTS (continued)

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Linn County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

Concentration of credit risk is required to be disclosed by Linn County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Linn County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Linn County's deposits were not exposed to concentration of investment credit risk for the years ended December 31, 2015 and 2014.

NOTE 4 – TAXES

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1st and payable by December 31st of each year. Taxes paid after December 31 are delinquent and subject to penalties.

The assessed valuation of the tangible taxable property, included within Linn County's boundaries for the calendar years 2015 and 2014 for the purposes of County taxation was as follows:

	2015	2014
Real Estate	\$ 83,472,243	\$ 80,493,854
Personal Property	42,835,404	41,282,351
Railroad and Utilities	26,206,451	23,977,546
Total	<u>\$ 152,514,098</u>	<u>\$ 145,753,751</u>

The County also receives sales tax collected by the state and remitted based on the County's sales tax rate to the total sales tax collected in the County.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2015 and 2014 for purposes of County taxation was:

	2015	2014
General Revenue Fund	<u>.0675</u>	<u>.0725</u>
Senior Citizens Services Board	<u>.0491</u>	<u>.0499</u>
Total	<u><u>.1166</u></u>	<u><u>.1224</u></u>

Linn County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 5 – COUNTY EMPLOYEES’ RETIREMENT FUND (CERF)

The County Employees’ Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, county sheriffs covered under Sections 57.949 to 57.997, RSMo, circuit clerks and deputy circuit clerks covered under Missouri State Retirement System and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County employees is determined by selecting the highest benefit by calculation using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan’s formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employees’ Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, Missouri 65101, or by calling 1.877.632.2373.

Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2015 and 2014, the County collected and remitted to CERF, employee contributions of approximately \$36,957 and \$35,681, respectively for the years then ended.

Linn County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 6 – POST EMPLOYMENT BENEFITS

Linn County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

NOTE 7 – CLAIMS, COMMITMENTS and CONTINGENCIES

Litigation

Linn County has a possible claim regarding a tax sale as of December 31, 2015, although no material losses are expected.

Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when preformed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

Compensated Absences

The County provides employees with up to four weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation if vested and overtime if applicable. Unused sick time is not reimbursed. These have not been subjected to auditing procedures.

NOTE 8 – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying amount of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to meet specific assessments. Members are jointly and severally liable for all claims against the risk pool.

Linn County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 8 – RISK MANAGEMENT

The County is also a member of the Missouri Association of Counties Self-Injured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The fund is self-insured up to \$500,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

NOTE 9 – INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2015 and 2014 are as follows:

<u>Fund</u>	2015		2014	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Revenue Fund	91,800	-	60,420	-
Road and Bridge Fund	-	91,800	-	60,420
Total	<u>\$ 91,800</u>	<u>\$ 91,800</u>	<u>\$ 60,420</u>	<u>\$ 60,420</u>

NOTE 10 – SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 13, 2016, the date the financial statements were available to be issued. Based up on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the financial statements.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the County Commission and Officeholders of Linn County
Linneus, Missouri

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Linn County, Missouri as of and for the years ended December 31, 2015 and December 31, 2014 and the related notes to the financial statements, which collectively comprise Linn County, Missouri's basic financial statement, and have issued my report thereon, dated July 13, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements I considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, I do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my testing disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 15/14-1.

Linn County's Response to Findings

The County's response to a finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, I express no opinion on it.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entities internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lisa C. Wright, CPA, LLC

Columbia, MO

July 13, 2016



Lisa C. Wright, CPA, LLC

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR A MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN REQUIRED BY
OMB CIRCULAR A-133**

To the County Commission and Officeholders of Linn County
Linneus, Missouri

Report on Compliance for A Major Federal Program

I have audited Linn County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Linn County, Missouri's major federal program for the years ended December 31, 2015 and December 31, 2014. Linn County Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the County's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the County's major federal program. However, my audit does not provide a legal determination of Linn County, Missouri's compliance.

Opinion on Each Major Federal Program

In my opinion, Linn County, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2015 and December 31, 2014.



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Report on Internal Control over Compliance

Management of Linn County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The report is intended solely for the information and use of management, County Commission, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lisa C. Wright, CPA, LLC

Columbia, MO
July 13, 2016

Linn County, Missouri
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM NAME	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures for Year Ended December 31, 2015
 U.S. Department of Justice			
Passed Through:			
State Department of Public Safety-			
Program Name: Crime Victim Assistance	16.575		\$ 62,112
 U.S. Department of Transportation			
Passed through:			
Highway and Transportation Commission-			
Program Name: Highway Planning and Construction	20.205	BRO-BO58(35)	28,733
		BRO-BO58(36)	36,099
		BRO-BO58(37)	550
 General Services Administration			
Passed Through:			
Office of Secretary of State-			
Program Name: Election Reform Payments	39.011		3,567
 Election Assistance Commission			
Passed Through:			
Office of Secretary Sate-			
Program Name: Help America Vote Act Requirements Payments	90.401		3,180
 U.S. Department of Health and Human Services			
Passed Through:			
Department of Social Services-			
Program Name: Child Support Enforcement	93.563		104,804
 U.S. Department of Homeland Security			
Passed Through:			
State Department of Public Safety-			
Program's Names:			
Disaster Grants- Public Assistance Grants	97.036		544,451
Emergency Management Performance Grants	97.042		1,517
<u>Total Expenditures of Federal Awards</u>			<u>\$785,013</u>

The accompanying notes are an integral part of this statement

Linn County, Missouri
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM NAME	CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures for Year Ended December 31, 2014
U.S. Department Justice			
Passed through:			
State Department of Public Safety-			
Program Name: Crime Victim Assistance	16.575		\$ 63,621
 U.S Department of Transportation			
Passed Through:			
Department of Public safety-			
Program Name: Interagency Hazardous Materials	20.703		2,810
Public Sector Training and Planning Grants			
 U.S. Department of Health and Human Services			
Passed Through:			
Department of Social Services-			
Program Name: Child Support Enforcement	93.563		105,551
 U.S. Department of Homeland Security			
Passed Through:			
State Department of Public Safety-			
Program Name: Emergency Management	97.042		2,683
Performance Grants			
<u>Total Expenditures of Federal Awards</u>			<hr/> \$174,665

The accompanying notes are an integral part of this statement

Linn County, Missouri
Notes to Schedule of Expenditures of Federal Awards
December 31, 2015 and December 31, 2014

Note 1- Summary of Significant Accounting Policies

The accompanying Schedules of Expenditures of Federal Awards summarizes activity of the County's federal award programs. The schedules have been prepared on the cash basis of accounting.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Matching Requirements

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the federally funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the schedule.

Note: 2 Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2015 and 2014.

Linn County, Missouri
Schedule of Findings and Questioned Costs
For the Years Ended December 31, 2015 and 2014

Section 1 – Summary of Auditor’s Results

Financial Statement

Type of auditor’s report issued Unmodified Regulatory Basis

Internal control over financial reporting

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiencies identified that were not considered to be material weaknesses? ☐ Yes ☒ No

Any noncompliance material to financial Statements noted? ☒ Yes ☐ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiencies identified that were not considered to be material weaknesses? ☐ Yes ☒ No

Type of auditor’s report issued on Compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs

CFDA
Number

97.036

Name of Federal Program or Cluster

Disaster Grants – Public Assistance Grants

Dollar threshold used to distinguish Between type A and type B programs: \$ 300,000

Auditee modified as low-risk auditee? ☐ Yes ☒ No

Linn County, Missouri
Schedule of Findings and Questioned Costs
For the Years Ended December 31, 2015 and 2014

Section 2:

15/14-1 Condition: We noted an issue with the County's budgetary process. The Sheriff Training Fund had actual expenditures greater than budgeted expenditures for the year ended December 31, 2014.

Effect: Section 50.740 prohibits expenditures in excess of approved budgets. Additionally, case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved including holding public hearings and filing the amended budget with the State Auditor's Office.

Cause: Oversight

Recommendation: We recommend that the County ensure compliance with State Statutes by refraining from approving expenditures in excess of budgeted amounts. In the event that the originally adopted budget is inadequate to finance current year unforeseen expenditures, budgetary amendments should be discussed in public meeting and formally adopted by the County Commission.

Management's Response: We will continue to assess the situation.

Section 3:

This section contains no audit findings that OMB Circular A-133 requires to be reported for an audit of financial statements.

Linn County, Missouri
Follow-Up on Prior Audit Findings for an Audit of Financial
Statements performed in Accordance with Government Auditing Standards

- 13/12-1 Condition: During the current year, it was necessary for the auditors of the County to assist with the preparation of the external financial statements and the notes to financial statements.
- Effect: Without the assistance of the auditors preparing the external financial statements, Management may be unable to review and take responsibility of the financial statements and notes.
- Cause: Due to increasing financial reporting requirements management of the County is unable to prepare the external financial statements and notes without the assistance of the auditors.
- Recommendation: I recommend the County either provide training to current management, hire additional staff who possess the accounting skills needed to prepare and review the external financial statements, or contract with an outside accountant to prepare and review the external financial statements.
- Management's Response: No I am not a CPA or Accountant. I have worked diligently to compile all financial statements and provide accurate information for Auditors to do external financial statements. However due to more reporting requirements in regards financial footnotes or disclosures another source or accountant could be checked into. The commissioners will take this under consideration.
- Status: Implemented
-
- 13/12-2 Condition: During my audit, I noted one fund for 2012 and one fund for 2013 with actual expenditures that exceeded the budgeted expenditures. Also, the Senior Citizens Services Board had actual expenditures that exceeded the budgeted expenditures for 2012.
- Effect: Missouri statutes and counties that prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding budget in certain funds the County is in violation of Missouri Revised Statutes.
- Cause: Oversight.
- Recommendation: I recommend that the County periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.
- Management's Response: The County budgets are reviewed. Copies of expenditure are provided to offices at the beginning of the year with their approved budgets. Quarterly reports are provided to all offices and the Sheriff's departments receives reports monthly. We do go over the budgets however that happens in the last month in December which is year end. We close books earlier in December to get actual's and balance for the year end. We were unable time wise to amend the budget. We will continue to monitor and work on budgets and expenditures to comply with statutes.
- Status: Partially implemented. See 15/14-1.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Caldwell County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Caldwell County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Lisa C Wright, LLC, Certified Public Accountant, is attached.

Nicole R. Galloway, CPA
State Auditor

September 2016
Report No. 2016-105

Caldwell County
December 31, 2015 and December 31, 2014
Financial Statements

Prepared by:
Lisa C. Wright, CPA, LLC
Certified Public Accountant
Columbia, MO

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INDEPENDENT AUDITOR'S REPORT

To the County Commission and
Officeholders of Caldwell County
Kingston, Missouri

I have audited the accompanying financial statements of Caldwell County, Missouri as of December 31, 2015 and December 31, 2014 for the years then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri Law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based upon my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. Procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the County, on the basis of financial reporting provisions prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Caldwell County, as of December 31, 2015 and December 31, 2014 or changes in the financial position for the years ended then.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investments balances of each fund of Caldwell County, as of December 31, 2015 and December 31, 2014, and their respective cash receipts and disbursements and the budgetary results for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note 1.

Other Matters

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Caldwell County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of Management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 13, 2016 on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Lisa C. Wright, CPA, LLC

Columbia, MO

July 13, 2016



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Caldwell County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Investments
All Governmental Funds: Regulatory Basis
For the Year Ended December 31, 2015

Fund	Cash and Investments				Cash and Investments
	January 1, 2015	Receipts	Disbursements		December 31, 2015
General Revenue Fund	\$ 1,171,725	\$ 1,134,036	\$ 826,506		\$ 1,479,255
Special Road and Bridge Fund	687,434	795,005	897,318		585,121
Assessment Fund	44,556	165,270	170,458		39,368
Road and Bridge Sales Tax Fund	138,508	250,267	255,068		133,707
Law Enforcement Sales Tax Fund	235,934	3,505,563	3,177,998		563,499
Tax Maintenance Fund	31,549	17,796	14,985		34,360
Election Services Fund	2,324	932	981		2,275
Prosecuting Attorney Training Fund	147	555	322		380
Police Training Fund	9,841	3,205	3,713		9,333
Domestic Violence Fund	2,733	706	2,500		939
PA Collection Fund	1,299	-	-		1,299
Sheriff Civil Fees Fund	50,419	13,096	27,407		36,108
Record Storage Unit Fund	8,908	5,820	3,331		11,397
ADM Handling Cost Fund	10,432	4,340	2,856		11,916
HAVA Fund	3,877	1,137	5,014		-
Sheriff Revolving Fund	39,372	7,973	43		47,302
Little Otter Creek Fund	650,923	713,376	653,322		710,977
Law Restitution Fund	5,367	1,260	2,724		3,903
Election Fund	9,425	61,038	64,878		5,585
Senior Citizens Tax Fund	-	7,880	-		7,880
Inmate Prisoner Detainee Fund	28,188	136,020	61,276		102,932
Anderson Park Operating Fund	4,174	15,213	13,087		6,300
Anderson Park Memorial Fund	16,019	-	16,012		7
Total	\$ 3,153,154	\$ 6,840,488	\$ 6,199,799		\$ 3,793,843

Caldwell County, Missouri
Statement of Receipts, Disbursements and Changes in Cash and Investments
All Governmental Funds: Regulatory Basis
For the Year Ended December 31, 2014

Fund	Cash and Investments January 1, 2014	Receipts	Disbursements	Cash and Investments December 31, 2014
General Revenue Fund	\$ 825,585	\$ 1,150,735	\$ 804,595	\$ 1,171,725
Special Road and Bridge Fund	567,891	1,837,328	1,717,785	687,434
Assessment Fund	59,571	158,246	173,261	44,556
Road and Bridge Sales Tax Fund	126,669	227,111	215,272	138,508
Law Enforcement Sales Tax Fund	177,725	3,024,050	2,965,841	235,934
Tax Maintenance Fund	43,382	17,138	28,971	31,549
Election Services Fund	4,089	758	2,523	2,324
Prosecuting Attorney Training Fund	156	602	611	147
Police Training Fund	8,426	4,190	2,775	9,841
Domestic Violence Fund	2,002	731	-	2,733
PA Collection Fund	1,299	-	-	1,299
Sheriff Civil Fees Fund	35,449	16,801	1,831	50,419
Record Storage Unit Fund	13,417	5,243	9,752	8,908
ADM Handling Cost Fund	9,477	4,475	3,520	10,432
HAVA Fund	3,833	44	-	3,877
Sheriff Revolving Fund	31,241	8,131	-	39,372
Little Otter Creek Fund	602,535	267,593	219,205	650,923
Law Restitution Fund	6,559	1,308	2,500	5,367
Election Fund	20,608	46,588	57,771	9,425
Inmate Prisoner Detainee Fund	-	55,530	27,342	28,188
Anderson Park Operating Fund	-	13,229	9,055	4,174
Anderson Park Memorial Fund	-	24,430	8,411	16,019
Total	\$ 2,539,914	\$ 6,864,261	\$ 6,251,021	\$ 3,153,154

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual- General Revenue Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	2015 Budget	2015 Actual	Variance	2014 Budget	2014 Actual	Variance
<u>Receipts</u>						
Taxes-Sales	\$ 206,000	\$ 359,453	\$ 153,453	\$ 215,000	\$ 311,740	\$ 96,740
Taxes-Property	320,000	202,637	(117,363)	320,000	208,412	(111,588)
Intergovernmental Revenues	128,068	127,885	(183)	120,200	129,112	8,912
Charges for Services	351,300	364,032	12,732	337,000	350,905	13,905
Interest Income	13,000	16,454	3,454	10,000	13,088	3,088
Other	56,180	56,964	784	52,300	90,849	38,549
Total Receipts	1,074,548	1,127,425	52,877	1,054,500	1,104,106	49,606
<u>Disbursements</u>						
County Commission	96,624	95,700	(924)	95,374	92,407	(2,967)
County Clerk	130,300	112,169	(18,131)	133,300	109,303	(23,997)
Elections	-	-	-	-	-	-
Buildings and Grounds	219,108	144,479	(74,629)	207,600	181,384	(26,216)
Employee Fringe Benefits	110,000	88,262	(21,738)	95,000	84,230	(10,770)
County Treasurer	40,800	40,800	-	40,800	40,708	(92)
County Collector	50,650	36,630	(14,020)	56,550	37,772	(18,778)
Recorder of Deeds	97,600	88,119	(9,481)	94,100	83,730	(10,370)
Circuit Clerk	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-
Court Reporter	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-
Public Administrator	32,675	29,205	(3,470)	30,250	29,114	(1,136)
Public Defender	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-
Health and Welfare	6,248	6,224	(24)	5,500	5,180	(320)
Custodial	-	-	-	-	-	-
Emergency Fund	100,000	-	(100,000)	100,000	3,600	(96,400)
Other	148,300	141,129	(7,171)	149,650	107,167	(42,483)
Total Disbursements	1,032,305	782,717	(249,588)	1,008,124	774,595	(233,529)
Excess (Deficiency) of Receipts Over Disbursements	42,243	344,708	302,465	46,376	329,511	283,135
<u>Cash and Investments -January 1</u>						
Transfers In	871,725	1,171,725	300,000	525,585	825,585	300,000
Transfers Out	58,000	6,611	(51,389)	130,500	46,629	(83,871)
Cash and Investments-December 31	217,000	43,789	(173,211)	242,000	30,000	(212,000)
	\$ 754,968	\$ 1,479,255	\$ 724,287	\$ 460,461	\$ 1,171,725	\$ 711,264

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual- Special Road and Bridge Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ 70	\$ 493	\$ 423	\$ 70	\$ 78	\$ 8
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	400,000	419,611	19,611	395,000	406,758	11,758
Charges for Services	-	-	-	-	-	-
Interest Income	7,000	7,507	507	6,000	8,028	2,028
Collector Administration Fee	66,000	68,086	2,086	60,000	66,073	6,073
MVST	95,000	111,317	16,317	85,000	103,585	18,585
Bro-13	-	-	-	-	1,147,462	1,147,462
Other	242,000	187,991	(54,009)	1,350,000	105,344	(1,244,656)
Total Receipts	810,070	795,005	(15,065)	1,896,070	1,837,328	(58,742)
<u>Disbursements</u>						
Annual Salaries for Road and Bridge	132,000	137,695	5,695	133,000	130,302	(2,698)
Employee Fringe benefits	41,155	37,077	(4,078)	51,535	34,758	(16,777)
Supplies	68,500	47,551	(20,949)	62,000	55,693	(6,307)
Insurance	10,000	12,171	2,171	12,000	8,531	(3,469)
Road and Bridge Material	193,500	227,762	34,262	158,500	144,351	(14,149)
Equipment and Repairs	38,500	22,915	(15,585)	38,500	52,719	14,219
Equipment Purchases	144,500	140,473	(4,027)	71,000	11,900	(59,100)
Road and Bridge Construction	462,000	260,740	(201,260)	1,561,000	1,247,134	(313,866)
Road and Bridge Expenditures	20,500	10,934	(9,566)	23,400	9,030	(14,370)
Total Disbursements	1,110,655	897,318	(213,337)	2,110,935	1,694,418	(416,517)
Excess (Deficiency) of Receipts Over Disbursements	(300,585)	(102,313)	198,272	(214,865)	142,910	357,775
<u>Cash and Investments-January 1</u>	587,433	687,434	100,001	467,891	567,891	100,000
Transfers In	-	-	-	-	-	-
Transfers Out	50,000	-	(50,000)	85,000	23,367	(61,633)
<u>Cash and Investments-December 31</u>	\$ 236,848	\$ 585,121	\$ 348,273	\$ 168,026	\$ 687,434	\$ 519,408

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual- Assessment Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	151,000	160,159	9,159	147,600	152,332	4,732
Charges for Services	-	-	-	-	-	-
Interest Income	1,000	933	(67)	900	1,011	111
Other	4,750	4,178	(572)	9,200	4,903	(4,297)
Total Receipts	156,750	165,270	8,520	157,700	158,246	546
<u>Disbursements</u>						
Assessor's Salary	40,800	40,800	-	40,800	40,708	(92)
Deputy and Clerical Salaries	69,459	56,100	(13,359)	67,385	66,707	(678)
Misc. Office Expenses	5,000	5,948	948	4,400	4,854	454
Bonds and Insurance	4,000	3,373	(627)	4,000	2,447	(1,553)
Postage	5,300	3,530	(1,770)	3,500	3,148	(352)
Telephone	1,200	1,032	(168)	1,200	1,080	(120)
Training	3,000	2,175	(825)	5,000	1,525	(3,475)
Computer and Software	2,000	3,360	1,360	2,000	-	(2,000)
Computer Hardware	2,000	1,170	(830)	2,000	-	(2,000)
Maintenance Agreement	10,775	11,275	500	10,775	10,775	-
Other Equipment	-	952	952	-	230	230
Membership Dues and Fees	-	60	60	-	90	90
Computer technology	-	-	-	-	-	-
Fringe Benefits	38,228	24,986	(13,242)	30,000	25,663	(4,337)
Legal fees	6,000	2,348	(3,652)	5,000	3,475	(1,525)
Value Guides	1,500	-	(1,500)	1,500	1,051	(449)
Plotter Supplies	600	574	(26)	600	481	(119)
Copier lease	5,000	4,547	(453)	5,000	4,592	(408)
Appraisals	8,000	3,500	(4,500)	2,000	-	(2,000)
GIS	1,600	3,113	1,513	5,000	4,695	(305)
Map Maintenance	1,500	-	(1,500)	1,500	-	(1,500)
ESRI Maintenance (Mapping)	800	1,313	513	1,600	1,600	-
Platbook Supplies	400	302	(98)	600	140	(460)
Total Disbursements	207,162	170,458	(36,704)	193,860	173,261	(20,599)
Excess (Deficiency) of Receipts Over Disbursements	(50,412)	(5,188)	45,224	(36,160)	(15,015)	21,145
<u>Cash and Investments-January 1</u>	44,556	44,556	-	59,571	59,571	-
Transfers In	36,000	-	(36,000)	32,000	-	(32,000)
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 30,144	\$ 39,368	\$ 9,224	\$ 55,411	\$ 44,556	\$ (10,855)

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Investments -
Budget and Actual- Road and Bridge Sales Tax Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ 225,000	\$ 248,884	\$ 23,884	\$ 190,000	\$ 225,468	\$ 35,468
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	1,600	1,383	(217)	1,400	1,643	243
Other	-	-	-	-	-	-
Total Receipts	226,600	250,267	23,667	191,400	227,111	35,711
<u>Disbursements</u>						
Gravel for Township	300,000	255,068	(44,932)	300,000	215,272	(84,728)
Total Disbursements	300,000	255,068	(44,932)	300,000	215,272	(84,728)
Excess (Deficiency) of Receipts Over Disbursements	(73,400)	(4,801)	68,599	(108,600)	11,839	120,439
<u>Cash and Investments-January 1</u>	123,508	138,508	15,000	111,669	126,669	15,000
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 50,108	\$ 133,707	\$ 83,599	\$ 3,069	\$ 138,508	\$ 135,439

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual- Law Enforcement Sales Tax Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ 225,000	\$ 248,883	\$ 23,883	\$ 190,000	\$ 225,462	\$ 35,462
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	2,500	5,121	2,621	1,100	2,564	1,464
Other	635,500	490,981	(144,519)	598,592	670,950	72,358
Homeland Security	500,000	540,753	40,753	732,766	554,608	(178,158)
United States Marshals	1,600,000	2,219,825	619,825	1,444,743	1,561,114	116,371
CCDC for Purchase of Vehicle	-	-	-	-	9,352	9,352
Total Receipts	2,963,000	3,505,563	542,563	2,967,201	3,024,050	56,849
<u>Disbursements</u>						
Coroner	64,845	60,297	(4,548)	62,445	56,907	(5,538)
Circuit Clerk	55,836	43,018	(12,818)	50,500	46,782	(3,718)
Prosecuting Attorney	98,180	97,993	(187)	102,740	85,994	(16,746)
Sheriff's Office	2,981,049	2,873,712	(107,337)	2,895,210	2,676,282	(218,928)
Child Support	123,831	102,978	(20,853)	123,831	99,876	(23,955)
Total Disbursements	3,323,741	3,177,998	(145,743)	3,234,726	2,965,841	(268,885)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>						
	(360,741)	327,565	688,306	(267,525)	58,209	325,734
<u>Cash and Investments-January 1</u>						
Transfers In	235,935	235,934	(1)	177,725	177,725	-
Transfers Out	150,000	-	(150,000)	153,000	-	(153,000)
	-	-	-	-	-	-
Cash and Investments-December 31	\$ 25,194	\$ 563,499	\$ 538,305	\$ 63,200	\$ 235,934	\$ 172,734

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual- Tax Maintenance Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	16,000	17,380	1,380	16,000	16,711	711
Interest Income	400	416	16	600	427	(173)
Other	-	-	-	-	-	-
Total Receipts	16,400	17,796	1,396	16,600	17,138	538
<u>Disbursements</u>						
Miscellaneous	10,000	942	(9,058)	10,000	1,153	(8,847)
Courthouse Upgrade	-	-	-	10,000	-	(10,000)
Annual Tyler Maintenance	5,676	5,156	(520)	5,677	7,056	1,379
Disaster Plan-Tyler	2,036	2,036	-	2,036	-	(2,036)
Digital Archive	5,000	-	(5,000)	-	-	-
Contract Labor	200	240	40	-	-	-
Legal Council	10,000	-	(10,000)	-	-	-
Professional Services	400	-	(400)	-	-	-
Total Disbursements	33,312	8,374	(24,938)	27,713	8,209	(19,504)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(16,912)	9,422	26,334	(11,113)	8,929	20,042
<u>Cash and Investments-January 1</u>	31,549	31,549	-	43,382	43,382	-
Transfers In	-	-	-	-	-	-
Transfers Out	8,000	6,611	(1,389)	8,000	20,762	12,762
Cash and Investments -December 31	\$ 6,637	\$ 34,360	\$ 27,723	\$ 24,269	\$ 31,549	\$ 7,280

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual- Election Services Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	500	932	432	1,700	758	(942)
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	500	932	432	1,700	758	(942)
<u>Disbursements</u>						
Training	1,500	106	(1,394)	2,500	465	(2,035)
Office Expense	500	-	(500)	2,500	2,058	(442)
Poll Rentals	-	875	875	-	-	-
Total Disbursements	2,000	981	(1,019)	5,000	2,523	(2,477)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(1,500)	(49)	1,451	(3,300)	(1,765)	1,535
<u>Cash and Investments-January 1</u>	2,324	2,324	-	4,089	4,089	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 824	\$ 2,275	\$ 1,451	\$ 789	\$ 2,324	\$ 1,535

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual- Prosecuting Attorney Training Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	600	555	(45)	625	602	(23)
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	600	555	(45)	625	602	(23)
<u>Disbursements</u>						
Training and Mileage	600	322	(278)	700	611	(89)
Total Disbursements	600	322	(278)	700	611	(89)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	-	233	233	(75)	(9)	66
<u>Cash and Investments-January 1</u>	147	147	-	156	156	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 147	\$ 380	\$ 233	\$ 81	\$ 147	\$ 66

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual- Police Training Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	4,000	3,205	(795)	3,500	4,190	690
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	4,000	3,205	(795)	3,500	4,190	690
<u>Disbursements</u>						
Training and Mileage	3,000	2,163	(837)	7,500	1,056	(6,444)
Lodging	1,500	1,550	50	1,500	1,719	219
Meals	250	-	(250)	250	-	(250)
Membership Dues and Fees	500	-	(500)	500	-	(500)
Total Disbursements	5,250	3,713	(1,537)	9,750	2,775	(6,975)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(1,250)	(508)	742	(6,250)	1,415	7,665
<u>Cash and Investments-January 1</u>	9,841	9,841	-	8,426	8,426	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 8,591	\$ 9,333	742	\$ 2,176	\$ 9,841	7,665

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual- Domestic Violence Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	725	706	(19)	650	731	81
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	725	706	(19)	650	731	81
<u>Disbursements</u>						
Abuse Shelter	2,500	2,500	-	2,000	-	(2,000)
Total Disbursements	2,500	2,500	-	2,000	-	(2,000)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(1,775)	(1,794)	(19)	(1,350)	731	2,081
<u>Cash and Investments-January 1</u>	2,733	2,733	-	2,002	2,002	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 958	\$ 939	(19)	\$ 652	\$ 2,733	2,081

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursements, and Changes in Cash and Investments-
Budget and Actual- PA Collection Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	-	-	-	-	-	-
<u>Disbursements</u>						
Miscellaneous Office Expense	1,200	-	(1,200)	1,200	-	(1,200)
Total Disbursements	1,200	-	(1,200)	1,200	-	(1,200)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(1,200)	-	1,200	(1,200)	-	1,200
<u>Cash and Investments-January 1</u>	1,299	1,299	-	1,229	1,299	70
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 99	\$ 1,299	1,200	\$ 29	\$ 1,299	1,270

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual- Sheriff Civil Fees Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	16,500	13,096	(3,404)	17,000	16,801	(199)
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	16,500	13,096	(3,404)	17,000	16,801	(199)
<u>Disbursements</u>						
Equipment	40,000	26,337	(13,663)	40,000	-	(40,000)
Vehicle Equipment	2,000	-	(2,000)	2,000	-	(2,000)
Miscellaneous	1,500	1,070	(430)	1,500	1,543	43
Uniforms	-	-	-	-	288	288
Total Disbursements	43,500	27,407	(16,093)	43,500	1,831	(41,669)
<u>Excess (Deficiency) of Receipts</u>						
<u>Over Disbursements</u>	(27,000)	(14,311)	12,689	(26,500)	14,970	41,470
<u>Cash and Investments-January 1</u>						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 23,419	\$ 36,108	\$ 12,689	\$ 8,949	\$ 50,419	\$ 41,470

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual- Record Storage Unit Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	5,085	5,692	607	5,675	5,103	(572)
Interest Income	128	128	-	100	140	40
Other	-	-	-	-	-	-
Total Receipts	5,213	5,820	607	5,775	5,243	(532)
<u>Disbursements</u>						
Office Equipment	-	-	-	-	8,130	8,130
Contract labor	-	500	500	-	-	-
Miscellaneous	7,000	25	(6,975)	10,000	195	(9,805)
Computer	-	-	-	-	1,427	1,427
Remodel	-	2,806	2,806	-	-	-
Total Disbursements	7,000	3,331	(3,669)	10,000	9,752	(248)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(1,787)	2,489	4,276	(4,225)	(4,509)	(284)
<u>Cash and Investments -January 1</u>	8,908	8,908	-	13,417	13,417	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 7,121	\$ 11,397	4,276	\$ 9,192	\$ 8,908	(284)

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual- ADM Handling Cost Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	4,300	4,213	(87)	4,363	4,475	112
Interest Income	111	127	16	-	-	-
Other	-	-	-	-	-	-
Total Receipts	4,411	4,340	(71)	4,363	4,475	112
<u>Disbursements</u>						
MOPS and Checks to Merchants	4,300	2,830	(1,470)	6,000	2,499	(3,501)
Salaries	-	24	24	1,500	893	(607)
Miscellaneous	-	-	-	100	30	(70)
Social Security	-	2	2	68	68	-
Lagers	-	-	-	25	25	-
AIG	-	-	-	5	5	-
Total Disbursements	4,300	2,856	(1,444)	7,698	3,520	(4,178)
<u>Excess (Deficiency) of Receipts</u> <u>Over Disbursements</u>	111	1,484	1,373	(3,335)	955	4,290
<u>Cash and Investments-January 1</u>	10,432	10,432	-	9,477	9,477	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	3,000	-	(3,000)
<u>Cash and Investments-December 31</u>	\$ 10,543	\$ 11,916	\$ 1,373	\$ 3,142	\$ 10,432	7,290

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual- HAVA Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	43	30	(13)	43	44	1
Other	1,137	1,107	(30)	-	-	-
Total Receipts	1,180	1,137	(43)	43	44	1
<u>Disbursements</u>						
Services	5,014	5,014	-	3,500	-	(3,500)
Total Disbursements	5,014	5,014	-	3,500	-	(3,500)
<u>Excess (Deficiency) of Receipts</u>						
<u>Over Disbursements</u>	(3,834)	(3,877)	(43)	(3,457)	44	3,501
<u>Cash and Investments-January 1</u>						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 43	\$ -	\$ (43)	\$ 376	\$ 3,877	\$ 3,501

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual-Sheriff Revolving Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	8,000	7,973	(27)	7,500	8,131	631
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	8,000	7,973	(27)	7,500	8,131	631
<u>Disbursements</u>						
Other	15,000	43	(14,957)	15,000	-	(15,000)
Total Disbursements	15,000	43	(14,957)	15,000	-	(15,000)
<u>Excess (Deficiency) of Receipts</u>						
<u>Over Disbursements</u>	(7,000)	7,930	14,930	(7,500)	8,131	15,631
<u>Cash and Investments-January 1</u>						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 32,372	\$ 47,302	\$ 14,930	\$ 23,741	\$ 39,372	\$ 15,631

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual-Little Otter Creek Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ 225,000	\$ 248,886	\$ 23,886	\$ 190,000	\$ 225,460	\$ 35,460
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	6,000	6,522	522	5,000	6,133	1,133
State of Missouri Grant	-	100,000	100,000	-	-	-
Farm Ground	60,000	45,220	(14,780)	65,000	-	(65,000)
Dept of Agriculture	-	-	-	-	36,000	36,000
NRCSS Grant	500,000	301,721	(198,279)	-	-	-
Bean Crop	-	9,307	9,307	-	-	-
Hay Ground	-	1,720	1,720	-	-	-
RCPG Grant	1,170,000	-	(1,170,000)	500,000	-	(500,000)
Total Receipts	1,961,000	713,376	(1,247,624)	760,000	267,593	(492,407)
<u>Disbursements</u>						
Land Surveyor	-	-	-	10,000	-	(10,000)
Land Purchase and Engineering	600,000	324,580	(275,420)	700,000	-	(700,000)
Legal	5,000	15,000	10,000	5,000	-	(5,000)
Miscellaneous	40,000	242	(39,758)	30,000	823	(29,177)
Appraisals	-	-	-	4,000	1,500	(2,500)
Fencing	3,000	-	(3,000)	8,000	-	(8,000)
Publication Costs	750	357	(393)	500	334	(166)
Bonds and Insurance	181,000	177,143	(3,857)	180,000	180,548	548
Administration Special LOC	-	100,000	100,000	-	-	-
Little Otter Creek Coordinator	40,000	36,000	(4,000)	40,000	36,000	(4,000)
Land Treatment	170,000	-	(170,000)	-	-	-
Mitigation	850,000	-	(850,000)	-	-	-
Total Disbursements	1,889,750	653,322	(1,236,428)	977,500	219,205	(758,295)
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	71,250	60,054	(11,196)	(217,500)	48,388	265,888
<u>Cash and Investments-January 1</u>	526,798	650,923	124,125	478,410	602,535	124,125
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 598,048	\$ 710,977	\$ 112,929	\$ 260,910	\$ 650,923	\$ 390,013

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual- Law Restitution Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	1,400	1,260	(140)	1,500	1,308	(192)
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	1,400	1,260	(140)	1,500	1,308	(192)
<u>Disbursements</u>						
Video Camera	6,700	-	(6,700)	-	-	-
Radio	-	398	398	-	-	-
Projector	-	405	405	-	-	-
Taser	-	1,200	1,200	-	-	-
Trial expenses	-	721	721	-	-	-
Total Disbursements	6,700	2,724	(3,976)	-	-	-
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(5,300)	(1,464)	3,836	1,500	1,308	(192)
<u>Cash and Investments-January 1</u>	5,367	5,367	-	6,559	6,559	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	6,000	2,500	(3,500)
<u>Cash and Investments-December 31</u>	\$ 67	\$ 3,903	\$ 3,836	\$ 2,059	\$ 5,367	\$ 3,308

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual-Election Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	18,313	9,523	(8,790)	18,000	16,588	(1,412)
Charges for Services	-	-	-	300	-	(300)
Interest Income	-	-	-	-	-	-
Miscellaneous Grants	7,726	7,726	-	-	-	-
April election	-	-	-	-	-	-
Total Receipts	26,039	17,249	(8,790)	18,300	16,588	(1,712)
<u>Disbursements</u>						
Computers	3,000	-	(3,000)	12,000	3,000	(9,000)
Supplies	12,000	14,473	2,473	50,000	33,895	(16,105)
Publication	2,000	1,794	(206)	6,000	3,690	(2,310)
Judges	5,000	5,194	194	21,000	17,113	(3,887)
Mileage	1,000	567	(433)	-	73	73
Miscellaneous	-	28	28	-	-	-
Voter Equipment	33,500	33,500	-	-	-	-
Legal Expense	9,000	9,322	322	-	-	-
Total Disbursements	65,500	64,878	(622)	89,000	57,771	(31,229)
<u>Excess (Deficiency) of Receipts</u>						
<u>Over Disbursements</u>	(39,461)	(47,629)	(8,168)	(70,700)	(41,183)	29,517
<u>Cash and Investments-January 1</u>						
Transfers In	35,000	43,789	8,789	60,000	30,000	(30,000)
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 4,964	\$ 5,585	\$ 621	\$ 9,908	\$ 9,425	\$ (483)

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual-Senior Citizens Tax Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	7,880	7,880	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Receipts	7,880	7,880	-	-	-	-
<u>Disbursements</u>						
Other	-	-	-	-	-	-
Total Disbursements	-	-	-	-	-	-
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	7,880	7,880	-	-	-	-
<u>Cash and Investments-January 1</u>	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 7,880	\$ 7,880	\$ -	\$ -	\$ -	\$ -

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual-Inmate Prisoner Detainee Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	55,000	136,020	81,020	75,000	55,530	(19,470)
Interest Income	-	-	-	-	-	-
Criminal Cases	-	-	-	-	-	-
Canteen	-	-	-	-	-	-
Total Receipts	55,000	136,020	81,020	75,000	55,530	(19,470)
<u>Disbursements</u>						
Computer Expenses	50,000	351	(49,649)	50,000	5,094	(44,906)
Inmate Phone Cards	20,000	41,400	21,400	-	19,350	19,350
Inmate Supplies	3,000	19,525	16,525	-	2,898	2,898
Total Disbursements	73,000	61,276	(11,724)	50,000	27,342	(22,658)
<u>Excess (Deficiency) of Receipts</u>						
<u>Over Disbursements</u>	(18,000)	74,744	92,744	25,000	28,188	3,188
<u>Cash and Investments-January 1</u>						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 10,188	\$ 102,932	\$ 92,744	\$ 25,000	\$ 28,188	\$ 3,188

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual-Anderson Park Operating Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Concessions Deposits	16,000	15,213	(787)	-	13,229	13,229
Total Receipts	16,000	15,213	(787)	-	13,229	13,229
<u>Disbursements</u>						
Equipment	5,000	293	(4,707)		2,122	2,122
Repairs/Maintenance	5,000	3,746	(1,254)		2,084	2,084
Concession Supplies	5,000	7,250	2,250		3,828	3,828
League Fees	400	171	(229)		407	407
Uniforms	600	1,522	922	-	614	614
Other	-	105	105			
Total Disbursements	16,000	13,087	(2,913)	-	9,055	9,055
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	-	2,126	2,126	-	4,174	4,174
<u>Cash and Investments-January 1</u>	4,174	4,174	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<u>Cash and Investments-December 31</u>	\$ 4,174	\$ 6,300	\$ 2,126	\$ -	\$ 4,174	\$ 4,174

Caldwell County, Missouri
Comparative Statements of Receipts, Disbursement, and Changes in Cash and Investments-
Budget and Actual-Anderson Park Memorial Fund Regulatory Basis
For the Years Ended December 31, 2015 and 2014

	Budget 2015	Actual 2015	Variance	Budget 2014	Actual 2014	Variance
<u>Receipts</u>						
Taxes-Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes-Property	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Memorials	10,000	-	(10,000)	-	24,430	24,430
Total Receipts	10,000	-	(10,000)	-	24,430	24,430
<u>Disbursements</u>						
Capitol Improvements	20,000	16,012	(3,988)	-	8,411	8,411
Total Disbursements	20,000	16,012	(3,988)	-	8,411	8,411
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	(10,000)	(16,012)	(6,012)	-	16,019	16,019
<u>Cash and Investments-January 1</u>	16,019	16,019	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Cash and Investments-December 31	\$ 6,019	\$ 7	\$ (6,012)	\$ -	\$ 16,019	\$ 16,019

The Accompanying Notes to Financial Statements are an Integral part of the Statement

Caldwell County, Missouri

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organized in 1836, the county of Caldwell was named after John Caldwell, an Indian Scout. Caldwell County's government is a township-organized, third-class county. The County seat is Kingston. Caldwell County's government is composed of a three-member county commission and the following separately elected Constitutional Officers: County Clerk, County Collector/Treasurer, Circuit Clerk, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note 1, these financial statements are presented in the regulatory basis of accounting. The basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

REPORTING ENTITY

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Caldwell County, Missouri.

Caldwell County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Caldwell County, Missouri, which consists of all funds, organization, institutions, agencies, departments and offices that comprise Caldwell County's legal entity. Caldwell County's Senior Citizens Tax Board is controlled by a separate board and is included under the control of Caldwell County.

Certain elected County officials, such as the County Collector/Treasurer and Sheriff, collect and hold monies in a trustee capacity as an agent of individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and are unaudited.

BASIS OF PRESENTATION

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Caldwell County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official, or the Senior Citizens Tax Board. The General Revenue Fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

Caldwell County, Missouri

Notes to Financial Statements

December 31, 2015 and 2014

BASIS OF ACCOUNTING

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

A result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as account payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Caldwell County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

BUDGETS and BUDGETARY ACCOUNTING

In accordance with Chapter 50 RSMo, Caldwell County adopts a budget for each governmental fund.

On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based on an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparison in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.

Prior to February 1, the budget is legally enacted by a vote of the County Commission.

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

BUDGETS and BUDGETARY ACCOUNTING- Continued

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

Budgets are prepared and adopted on the cash basis of accounting.

TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in October and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within Caldwell County's boundaries for the calendar year 2015 and 2014 for the purposes of county taxation was as follows:

	2015	2014
Real Estate	\$ 68,062,380	\$ 66,228,690
Personal Property	26,539,830	24,871,460
Railroad and Utilities	48,016,598	49,727,008
Total	<u>\$ 142,618,808</u>	<u>\$ 140,827,158</u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2015 and 2014 for the purpose of County taxation was as follows:

	2015	2014
General Revenue Fund	\$.2119	\$.2229
Senior Citizens Tax Fund	.0500	.0000
Total	<u>\$.2619</u>	<u>\$.2229</u>

The county also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

CASH DEPOSITS and INVESTMENTS

Deposits and investments are stated at cost, which approximates market value. Cash balances for all the County Treasurer's Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

CASH DEPOSITS and INVESTMENTS (continued)

days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principle and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit of time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Caldwell County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

INTERFUND TRANSACTIONS

During the course of operations, interfund activity occurs for the purpose of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring costs.

NOTE 2 – DEPOSITS and INVESTMENTS

Caldwell County maintains a cash and temporary investment pool in the form of certificates of deposit that are available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as "Cash and Equivalents".

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, 100% of Caldwell County's deposits and investments were covered by the Federal Deposit Insurance Corporation (FDIC) or were collateralized.

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 2 – DEPOSITS and INVESTMENTS (continued)

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2015 and 2014 as follows:

	<u>2015</u>	
	<u>Bank Balances</u>	<u>Carrying Value</u>
Deposits	\$ 3,568,101	\$ 3,378,843
Investments	415,000	415,000
Restricted Cash	-	-
Total Deposits and Investments as of December 31, 2015	<u>\$ 3,983,101</u>	<u>\$3,793,843</u>

	<u>2014</u>	
	<u>Bank Balances</u>	<u>Carrying Value</u>
Deposits	\$ 2,865,962	\$ 2,738,154
Investments	415,000	415,000
Restricted Cash	-	-
Total Deposits and Investments as of December 31, 2014	<u>\$ 3,280,962</u>	<u>\$3,153,154</u>

Note: Bank balances are inclusive of all funds of Caldwell County, and as such, include balances of unaudited funds which are not included in the scope of this report.

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. Caldwell County's investment policy does not include custodial credit risk requirements. Caldwell County's deposits were not exposed to custodial credit risk for the years ended December 31, 2015 and 2014.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Caldwell County or its agent but not in the government's name. Caldwell County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Caldwell County or of a type that are not exposed to custodial credit risk.

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 2 – DEPOSITS and INVESTMENTS (continued)

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Caldwell County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

Concentration of credit risk is required to be disclosed by Caldwell County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Caldwell County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Caldwell County's deposits were not exposed to concentration of investment credit risk for the years ended December 31, 2015 and 2014.

NOTE 3 – INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2015 and 2014 are as follows:

<u>Fund</u>	2015		2014	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Revenue Fund	\$ 6,611	\$ 43,789	\$ 46,629	\$ 30,000
Special Road and Bridge Fund	-	-	-	23,367
Tax Maintenance Fund	-	6,611	-	20,762
Law Restitution Fund	-	-	-	2,500
Election Fund	43,789	-	30,000	-
Total	<u>\$ 50,400</u>	<u>\$ 50,400</u>	<u>\$ 76,629</u>	<u>\$ 76,629</u>

NOTE 4 – LONG TERM DEBT

On March 1, 2007, the county issued a Certificate of Participation (COP) in the amount of \$2,500,000 for the purpose of the purchase and acquisition of land to facilitate the construction of a dam and lake in the

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 4 – LONG TERM DEBT (continued)

Little Otter Creek watershed. The COP reaches maturity January 1, 2032 with variable interest rates from 4.625% to 4.875%. The Security Bank of Kansas City is the holder of this COP.

Balance at 12/31/2013	Amount Borrowed	Amount Repaid	Balance at 12/31/2014	Amount Borrowed	Amount Repaid	Balance at 12/31/2015
\$2,180,000	-	\$75,000	\$2,105,000	-	\$75,000	\$2,030,000

The County paid \$100,226 and \$103,695 in interest expense for the years ended December 31, 2015 and 2014, respectively.

2015 Amortization Schedule
Series 2007 Certificates of Participation

Year	Principal	Interest	Total
2016	\$80,000	\$96,758	\$176,758
2017	85,000	93,057	178,057
2018	90,000	89,126	179,126
2019	90,000	84,964	174,964
2020	95,000	80,801	175,801
2021-2025	550,000	332,663	882,663
2026-2030	700,000	188,199	888,199
2031- thereafter	340,000	16,575	356,575
Total	\$2,030,000	\$982,143	\$3,012,143

2014 Amortization Schedule
Series 2007 Certificates of Participation

Year	Principal	Interest	Total
2015	\$75,000	\$100,226	\$175,226
2016	80,000	96,758	176,758
2017	85,000	93,057	178,057
2018	90,000	89,126	179,126
2019	90,000	84,964	174,964
2020-2024	525,000	357,356	882,356
2025-2029	665,000	220,175	885,175
2030- thereafter	495,000	40,706	535,706
Total	\$2,105,000	\$1,082,368	\$3,187,368

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 4 – LONG TERM DEBT (continued)

CAPITAL LEASES

On September 10, 2003, the County entered into a capital lease for the jail in the amount of \$2,300,000 with payments due monthly with an interest rate of 5.75%. This lease was set to mature on July 8, 2019.

On March 30, 2005, the County entered into a capital lease for the jail in the amount of \$397,368 with payments due monthly with an interest rate of 6.25%. This lease was set to mature on July 8, 2019.

On July 31, 2008, the County entered into a capital lease for the jail in the amount of \$200,000 with payments due monthly with an interest rate of 5.75%. This lease was set to mature in July 8, 2019.

On April 18, 2011, the County entered into a capital lease that combined the balances of the previous three leases for the amount of \$1,932,927 with payments due monthly with an interest rate of 4.95%. This new lease was set to mature April 18, 2026.

On January 14, 2013, the County amended the capital lease adding \$56,000 used for building repairs. Payments are due monthly with one final balloon payment at an interest rate of 4.95%. This new lease is set to mature April 18, 2026.

Balance at 12/31/2013	Amount Borrowed	Amount Repaid	Balance at 12/31/2014	Amount Borrowed	Amount Repaid	Balance at 12/31/2015
\$1,750,521	-	\$106,707	\$1,643,814	-	\$94,876	\$1,548,938

A schedule of future minimum lease payments as of December 31, 2015 is as follows:

Year	Principal	Interest	Total
2016	\$ 104,275	\$80,137	\$ 184,412
2017	109,641	74,772	184,413
2018	115,039	69,373	184,412
2019	120,703	63,709	184,412
2020	126,477	57,935	184,412
2021-2025	732,994	189,167	922,161
Thereafter	397,640	6,021	403,661
Total	\$1,706,769	\$541,114	\$2,247,883

Caldwell County, Missouri

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 4 – LONG TERM DEBT (continued)

The county paid \$84,810 and \$89,484 in interest expense for the year ended December 31, 2015 and 2014, respectively.

NOTES PAYABLE

On December 21, 2011, the County entered into a note for a new County vehicle for \$28,803 with payments due monthly with an interest rate of 4.00%.

Balance at 12/31/2013	Amount Borrowed	Amount Repaid	Balance at 12/31/2014	Amount Borrowed	Amount Repaid	Balance at 12/31/2015
\$9,993	\$-	\$9,993	\$-	\$-	\$-	\$-

The County paid -0- and \$221 in interest expense for the years ending December 31, 2015 and 2014, respectively.

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Caldwell County's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. Caldwell County participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the plan in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees covered by benefit terms. At June 30, 2015, the following employees were covered by the benefit terms:

	General	Police
Inactive employees or beneficiaries currently receiving benefits	19	10
Inactive employees entitled to but not yet receiving benefits	15	12
Active Employees	58	9
Total	92	31

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% of their gross pay to the pension plan. Employer contribution rates are 3.1% (General) and 3.6% (Police) of annual covered payroll.

Caldwell County, Missouri

Notes to Financial Statements

December 31, 2015 and 2014

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

Actuarial assumptions. The total pension liability in the February 28, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation, 3.0% price inflation
Salary Increase	3.5% to 6.8% including wage inflation
Investment rate of return	7.25%

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females. The actuarial assumptions used in the February 28, 2015 valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

Discount rate. The discount rate used to measure the total pension liability is 7.25 %. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

**Schedule of Changes in Net Pension Liability and Related Ratios
Year ended June 30, 2015**

	General	Police
A. Total Pension Liability		
1. Service Cost	\$94,279	\$16,487
2. Interest on Total Pension Liability	108,653	24,643
3. Changes of Benefit Terms	0	0
4. Difference between expected and actual experience of the Total pension Liability	(21,945)	(2,105)
5. Changes of Assumptions	0	0
6. Benefit payments, including Refunds of employee contributions	(74,849)	(16,034)
7. Net change in total pension liability	\$106,138	\$22,991
8. Total pension liability-beginning	1,489,116	339,676
9. Total pension liability-ending	\$1,595,254	\$362,667
 B. Plan fiduciary net position		
1. Contributions - employer	\$51,005	\$9,524
2. Contributions – employee	60,934	10,709
3. Net investment income	34,164	6,911
4. Benefit payment, including refunds of employee contributions	(74,849)	(16,034)
5. Pension Plan Administrative Expense	(7,363)	(2,050)
6. Other (Net Transfer)	36,917	(258)
7. Net change in plan fiduciary net position	\$100,808	\$8,802
8. Plan fiduciary net position- beginning	1,751,158	352,102
9. Plan fiduciary net position- ending	\$1,851,966	\$360,904
 C. Net Position Liability/(asset)	\$(256,712)	\$1,763
D. Plan fiduciary net position as a percentage of the total pension liability	116.09%	99.51%
 E. Covered- employee payroll	\$1,522,435	\$301,813
F. Net pension liability as a percentage of covered employee payroll	(16.86)%	0.58%

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower, 6.25%, or one percentage point higher, 8.25%, than the current rate.

General	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$1,811,286	\$1,595,254	\$1,416,497
Plan Fiduciary Net Position	1,851,966	1,851,966	1,851,966
Net Pension Liability/(Asset)(NPL)	<u>\$ (40,680)</u>	<u>\$(256,712)</u>	<u>\$(435,469)</u>

Police	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$426,515	\$362,667	\$ 312,848
Plan Fiduciary Net Position	360,904	360,904	360,904
Net Pension Liability/(Asset)(NPL)	<u>\$ 65,611</u>	<u>\$ 1,763</u>	<u>\$(48,056)</u>

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions**

If the County recorded the Pension expense on an accrual basis, below would be the disclosure. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

General	Outflows of Resources	Inflows of Resources
Differences in experience	\$ -	\$(3,880)
Assumption Changes	-	-
Net difference between projected and actual earnings on pension plan investments	19,034	-
Total	<u>\$19,034</u>	<u>\$(3,880)</u>

Police	Outflows of Resources	Inflows of Resources
Differences in experience	\$ -	\$(771)
Assumption Changes	-	-
Net difference between projected and actual earnings on pension plan investments	3,737	-
Total	<u>\$3,737</u>	<u>\$(771)</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources- General	Net Deferred Outflows of Resources- Police
2016	\$15,154	\$ 2,966
2017	15,154	3,174
2018	15,154	3,737
2019	15,153	3,736
2020	(2,545)	-
Thereafter	-	-
Total	<u>\$58,070</u>	<u>\$13,613</u>

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Payable to the Pension Plan

The General Division and Police Division reported a payable of \$(256,712) and \$1,763 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015, respectively.

NOTE 6- COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

Plan Description

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees. The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, county sheriffs covered under Sections 57.949 to 57.997, RSMo, circuit clerks and deputy circuit clerks covered under Missouri State Retirement System and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employees' Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, Missouri 65101, or by calling 1-877-632-2373.

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 6- COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (continued)

Funding Policy

In accordance with state statutes, the Plan is funded through various fees collected by the County and remitted to the CERF. Eligible employees hired before February 2002 were not required to contribute, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2015 and 2014, the County collected and remitted to CERF employee contributions of \$54, 931 and \$53,353 respectively for the years then ended.

NOTE 7 – PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute chapter 56.807 RSMo, Caldwell County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorney's and Circuit Attorney's Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. Caldwell County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2015 and 2014.

NOTE 8 - POST EMPLOYMENT BENEFITS

Caldwell County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

NOTE 9 – CLAIMS, COMMITMENTS and CONTINGENCIES

Litigation

Caldwell County is involved in pending litigations as of December 31, 2015. The extent of the liability, if any, cannot be determined at this time.

Compensated Absences

The County provides employees with up to four weeks of paid vacation based up on the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation if vested and overtime, if applicable. Unused sick time is not reimbursed. These have not been subjected to auditing procedures.

Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that

Caldwell County, Missouri
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 9 – CLAIMS, COMMITMENTS and CONTINGENCIES (continued)

any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

NOTE 10 – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to meet specific assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Injured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

NOTE 11 – SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 13, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the financial statements.

NOTE 12 – PRIOR YEAR ADJUSTMENT

The County's beginning Cash and Investment balance is different from that of the Audit report for the years ended December 31, 2013 and 2012. This is because the prior audit report included the Community Development Block Grant Fund, (CDBG) which this report excluded.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the County Commission and
Officeholders of Caldwell County
Kingston, Missouri

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Caldwell County, Missouri as of and for the year ended December 31, 2015 and December 31, 2014 and the related notes to the financial statements, which collectively comprise Caldwell County, Missouri's basic financial statement, and have issued my report thereon, dated July 13, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements I considered Caldwell County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Caldwell County, Missouri's internal control. Accordingly, I do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



The CPA. Never Underestimate The Value.®

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caldwell County, Missouri's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my testing disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entities internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entities internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lisa C. Wright, CPA, LLC

Columbia, MO

July 13, 2016



Lisa C. Wright, CPA, LLC

Certified Public Accountant & Consultant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
CIRCULAR A-133

To the County Commission and Officeholders of
Caldwell County, Missouri
Kingston, Missouri

Report on Compliance for Each Major Federal Program

I have audited Caldwell County's compliance with the types of compliance requirements described in the *OMB Circular Supplement* that could have a direct and material effect on each of the County's major federal programs for the years ended December 31, 2015 and 2014. Caldwell County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the County's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In my opinion, the County of Caldwell, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2015 and 2014.



The CPA. Never Underestimate The Value.®

Report on Internal Control over Compliance

Management of Caldwell County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The report is intended solely for the information and use of management, County Commission, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lisa C. Wright, CPA, LLC

Columbia, MO

July 13, 2016

Caldwell County, Missouri
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM NAME	CFDA Number	Pass-Through Grantor No	Federal Expenditures for Year Ended December 31, 2015
<u>U.S. Department of Agriculture</u>			
Passed through State: Department of Health and Senior Services-			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ERS04515010	\$ 28,200
NRCS Construction/Engineering Grant for Little Otter Creek Water Project	10.904	10-6424-13-001	301,721
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through State Department of Economic Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	210-PF-41	199,466
<u>U.S. Department of Justice</u>			
Crime Victim Assistance	16.575	2011VOCA-045-05	42,772
<u>U.S Department of Transportation</u>			
Passed through state: Highway and Transportation Commission-			
Highway Planning and Construction	20.205	BRO- 36	24,344
		BRO- 37	26,000
		BRO-39	45,655
<u>Election Assistance Commission</u>			
Passed through the Office of Secretary of State-Help America Vote Act Requirements Payments	90.401	NOT AVAIL PER SEC STATE	5,014
<u>U.S. Department of Health and Human Services</u>			
Passed through state: Department of Health and Senior Services-			
Public Health Emergency Preparedness	93.069	DH14002100	13,902
City Readiness Initiative	93.074	DH140020003	5,573
Child Support Enforcement	93.563	ER10214C009	123,831
Child Care and Development Block Grant	93.575	DH140010001	1,921
		ERS22014010	415
Preventative Health and Health Services Block Grant	93.758	DH140010001	16,216
Maternal and Child Health Services	93.994	DH150006006	17,981
<u>U.S. Department of Homeland Security</u>			
	97.042	EMW-2015-EP-00043-01	748
Total Expenditures of Federal Awards			<hr/> \$ 853,759 <hr/>

The accompanying notes are an integral part of this statement

Caldwell County, Missouri
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM NAME	CFDA Number	Pass-Through Grantor No	Federal Expenditures for Year Ended December 31, 2014
<u>U.S. Department of Agriculture</u>			
Passed through State: Department of Health and Senior Services-			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ERS04514112	\$ 32,879
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through State Department of Economic Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	210-PF-41	73,390
<u>U.S. Department of Justice</u>			
Crime Victim Assistance	16.575	2011VOCA-045-05	35,851
<u>U.S Department of Transportation</u>			
Passed through state: Highway and Transportation Commission-			
Highway Planning and Construction	20.205	BRO- 32	872,899
		BRO- 34	277,358
<u>U.S. Department of Health and Human Services</u>			
Passed through state: Department of Health and Senior Services-			
Public Health Emergency Preparedness	93.069	DH120009054	16,034
City Readiness Initiative	93.074	DH120010008	3,877
Child Support Enforcement	93.563	ER10214C009	123,831
Child Care and Development Block Grant	93.575	DH14000403	1,931
		ERS22013010	190
Preventative Health and Health Services Block Grant	93.758	DH140010001	23,784
Maternal and Child Health Services	93.994	DH120004074	17,382
<u>U.S. Department of Homeland Security</u>			
Emergency Management Performance Grants	97.042	EMW-2014-EP-00005	3,068
Total Expenditures of Federal Awards			<hr/> <hr/> \$ 1,482,474

The accompanying notes are an integral part of this statement

Caldwell County, Missouri
Notes to Schedule of Expenditures of Federal Awards
December 31, 2015 and December 31, 2014

Note 1- Summary of Significant Accounting Policies

The accompanying Schedules of Expenditures of Federal Awards summarizes activity of the County's federal award programs. The schedules have been prepared on the cash basis of accounting.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Matching Requirements

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the federally funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the schedule.

Caldwell County, Missouri
Schedule of Findings and Questioned Cost
For the Years Ended December 31, 2015 and 2014

Section 1 – Summary of Auditor’s Results

Financial Statement

Type of auditor’s report issued	Unmodified Regulatory Basis	
Internal control over financial reporting		
Material weakness(es) identified?	___ Yes	___X___ No
Significant deficiencies identified that were not considered to be material weaknesses?	___ Yes	___X___ No
Any noncompliance material to financial Statements noted?	___ Yes	___X___ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___ Yes	___X___ No
Significant deficiencies identified that were not considered to be material weaknesses?	___ Yes	___X___ No
Type of auditor’s report issued on Compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?	___ Yes	___X___ No

Identification of Major Programs

CFDA <u>Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
10.904	NRCS Construction/Engineering Grant for Little Otter Creek Water Project

Dollar threshold used to distinguish Between type A and type B Programs:	<u>\$300,000</u>
--	------------------

Auditee qualified as low-risk auditee?	___ Yes	___X___ No
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Caldwell County, Missouri
Schedule of Findings and Questioned Cost
For the Years Ended December 31, 2015 and 2014

Section 2:

This section contains no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section 3:

This section contains no audit findings that *OMB Circular A-133* requires to be reported for an audit of federal awards.



Office of Missouri State Auditor
Nicole Galloway, CPA

Summary of Local Government and Court
Audit Findings - Information Security
Controls



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the summary report of common cybersecurity mistakes

Background	This report examines local government and court compliance with some of the most basic data security practices. The State Auditor's Office compiled results of 30 local government and court audits issued by the office between July 2015 and June 2016, that contained cybersecurity concerns. This summary highlights the following five most common cybersecurity issues.
Access (User Access Management)	Employees and officials have access to more parts of computer systems than they need to perform their jobs. In 11 audit reports, auditors identified issues related to managing access to computer systems. Most of these issues involved access rights and privileges, which should be limited based on user needs and job responsibilities. Access rights and privileges are used to determine what a user can do after being allowed into the system. As an example, unrestricted access to a property tax system might allow unauthorized changes to property tax records.
Passwords (User Authentication)	Employees and officials share computer system passwords, do not have to change their passwords regularly, or do not have passwords for some of their computer systems. In 20 audit reports, auditors identified password issues. The majority of these findings were due to the lack of a requirement for passwords to be changed or passwords being shared between users. Individual users should have their own unique passwords, which should be changed periodically to reduce the risk of unauthorized access to and use of systems and data. Without these controls, the likelihood that accounts could be compromised and used by unauthorized individuals to gain access to sensitive information is increased.
System Locks (Security Controls)	Local governments and courts did not always have controls in place to lock access to a computer when an employee leaves it unattended or when someone tries to access it by guessing an employee's password. In 12 reports, auditors identified inadequate security controls. In most cases, inactivity controls have not been implemented to lock a computer or system after a certain period of inactivity or after a specified number of unsuccessful logon attempts. To reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files, users should log off computers when unattended and an inactivity control should be implemented to lock a computer or terminate a user session after a certain period of inactivity. Logon attempt controls should also lock the capability to access a computer or system after a specified number of consecutive unsuccessful logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer or system by guessing passwords.
Data Backups (Backup and Recovery)	Data is not being backed up on a regular basis in a secure off-site location and when the data is backed up, there are not regular tests to make sure the data can be restored in the system. In six audit reports, data in various systems was not periodically backed up, tested, stored offsite or accounted for as part of a disaster recovery plan. In some cases, data was not regularly backed up. In others, data backups were conducted, but not stored at an off-site location to reduce the risk of loss in the event of a disaster or other disruptive incident. Preparation of backup data, preferably on a daily or at

least weekly basis, provides reasonable assurance data could be recovered if necessary. In other cases, the data backups were not tested, which limits the assurance that backup systems will work properly when needed.

User Restrictions and
Tracking
(Data Management)

Government computer systems do not always have protections in place to prevent improper changes to information and do not have a way to track how changes were made. Data management was cited in 11 audit reports, which includes integrity controls to guard against the improper modification or destruction of data, and in the case of school districts, tracking mechanisms for school attendance records and changes. Data management controls lessen the risk for manipulation of data and provide additional information so changes can be traced back to a specific person.

Because of the nature of this report, no rating has been provided.

All reports are available on our Web site: auditor.mo.gov

Summary of Local Government and Court Audit Findings

Information Security Controls

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NICOLE GALLOWAY, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

This report was compiled using local government and court audit reports issued by my office between July 2015 and June 2016 (report numbers 2015-045 through 2015-135 and 2016-001 through 2016-042). This summary excludes the two audit reports issued during this period as part of the Cyber Aware School Audits Initiative (report numbers 2016-015 and 2016-025). Those reports will be included in a separate summary for that initiative. The objective of this report was to summarize recent information security control issues and recommendations.

The recommendations address a variety of topics including user access management, user authentication, security controls, backup and recovery, and data management. The Appendix lists the 30 reports with findings covering these topics.

A handwritten signature in black ink, reading "Nicole R. Galloway", is positioned above the printed name of the State Auditor.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
Director of Audits: Douglas J. Porting, CPA, CFE
Audit Manager: Jeffrey Thelen, CPA, CISA

Summary of Local Government and Court Audit Findings

Information Security Controls

Audit Issues

1. User Access Management

1.1 Access rights and privileges

Access to certain systems is not adequately restricted. Access rights and privileges are used to determine what a user can do after being allowed into a system, such as read or write to a certain file. Unrestricted system access allows the capability to make unauthorized changes to records or to delete or void transactions after the transactions have been entered in the system. In addition, adequate supervisory reviews of users are not performed. Access should be limited based on user needs and job responsibilities.

Without adequate user access restrictions, there is an increased risk of unauthorized changes to data and records and of the loss, theft, or misuse of funds.

Recommendation

Ensure user access rights are limited to only what is necessary to perform job duties and responsibilities.

Report Source

2015-054 (13th Judicial Circuit/Boone County)
2015-099 (Ralls County)
2015-116 (Village of Leasburg)
2015-117 (Phelps County)
2015-123 (Butler County)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-018 (Madison County)
2016-033 (21st Judicial Circuit/City of Bella Villa Municipal Division)
2016-036 (Linn County)

1.2 Acceptable use agreements

Signed technology acceptable use agreement forms are not always maintained and the most current form was not always used. Students are required to sign this agreement when registering for school each year and copies are to be maintained at each school. Acceptable use agreements are used to acknowledge the procedures governing the acceptable use of computers, internet access, email and procedures designed to protect resources and confidential information.

Without using and maintaining the approved agreement forms, there is an increased risk students have not been provided with, reviewed, and agreed to comply with the most current policies necessary to reduce the risk of cybersecurity incidents.

Recommendation

Ensure current acceptable use agreement forms are used and maintained.

Report Source

2016-031 (Fox C-6 School District)



Summary of Local Government and Court Audit Findings
Information Security Controls
Audit Issues

1.3 Periodic review of user accounts

Periodic reviews of users' access to data and other information to ensure access remains appropriate and aligned with job duties are not performed. As users' work assignments and job responsibilities change, access rights to data may be added, changed, or removed. Over time, users can accumulate access rights that are no longer necessary, increasing the risk of inappropriate access to data.

Without periodically reviewing user access rights, there is an increased risk that unauthorized alterations of the rights will go undetected or that access rights may not be aligned with current job duties.

Recommendation

Ensure periodic reviews of user access to data and other information resources are performed to ensure access rights remain appropriate and are commensurate with job duties and responsibilities.

Report Source

2015-054 (13th Judicial Circuit/Boone County)
2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)

1.4 Terminated employees

The user access of former employees is not disabled timely.

Without effective procedures to remove access upon termination, former employees could continue to have access to critical or sensitive data and records, which increases the risk of the unauthorized use, modification, or destruction of data and information.

Recommendation

Ensure user access is promptly deleted following termination of employment to prevent unauthorized access to computer systems and data.

Report Source

2015-135 (29th Judicial Circuit/City of Joplin Municipal Division)
2016-027 (Stone County)

2. User Authentication

2.1 Passwords not changed

Passwords are not required to be changed on a periodic basis. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be changed periodically to reduce the risk of unauthorized access to and use of systems and data.

Without requiring passwords to be periodically changed, the likelihood that accounts could be compromised and used by unauthorized individuals to gain access to sensitive information is increased.



Summary of Local Government and Court Audit Findings
Information Security Controls
Audit Issues

Recommendation

Ensure passwords are periodically changed to prevent unauthorized access to computers and data.

Report Source

2015-054 (13th Judicial Circuit/Boone County)
2015-068 (DeKalb County)
2015-079 (Grundy County)
2015-096 (Holt County)
2015-099 (Ralls County)
2015-100 (Warren County)
2015-114 (Hannibal School District #60)
2015-115 (Harrison County)
2015-116 (Village of Leasburg)
2015-123 (Butler County)
2015-126 (29th Judicial Circuit/City of Carl Junction Municipal Division)
2015-128 (City of Gallatin)
2015-133 (Henry County)
2016-010 (24th Judicial Circuit/City of Leadington Municipal Division)
2016-012 (Douglas County)
2016-021 (Marion County)
2016-024 (Ozark County)
2016-027 (Stone County)
2016-035 (Oregon County)

2.2 Sharing passwords

User accounts and passwords for accessing computers and various systems are shared by users. The security of a password system is dependent upon keeping passwords confidential. By allowing users to share accounts and passwords, individual accountability for system activity could be lost and unauthorized system activity could occur.

Without strong user account and password controls, including maintaining the confidentiality of passwords, the likelihood that accounts could be compromised and used by unauthorized individuals to gain access to sensitive information is increased.

Recommendation

Ensure unique user accounts and passwords are required to access computers and data. In addition, ensure users understand the importance of maintaining the confidentiality of passwords.

Report Source

2015-068 (DeKalb County)
2015-079 (Grundy County)
2015-099 (Ralls County)
2015-100 (Warren County)
2015-115 (Harrison County)
2015-116 (Village of Leasburg)
2015-123 (Butler County)
2015-126 (29th Judicial Circuit/City of Carl Junction Municipal Division)



Summary of Local Government and Court Audit Findings
Information Security Controls
Audit Issues

2016-021 (Marion County)
2016-024 (Ozark County)
2016-027 (Stone County)
2016-035 (Oregon County)
2016-036 (Linn County)

2.3 Password not required

A password is not required to logon and authenticate access to a computer.

Without requiring passwords to access a computer or system, there is no assurance the data or system is protected from unauthorized access and use.

Recommendation

Ensure passwords are required to authenticate access to computer systems and data.

Report Source

2016-027 (Stone County)

2.4 Password complexity

Passwords are not required to contain a minimum number of characters. Strong passwords are often the first line of defense into a computer or system. As a result, an appropriate minimum character length should be established so passwords cannot be easily guessed or identified using password-cracking mechanisms.

Without enforcing password complexity by requiring a minimum number of characters, there is an increased risk that passwords can be more easily guessed, allowing unauthorized access to data and systems.

Recommendation

Ensure passwords contain a minimum number of characters so they cannot be easily guessed.

Report Source

2016-024 (Ozark County)

3. Security Controls

3.1 Inactivity control

Inactivity controls have not been implemented to lock a computer or system after a certain period of inactivity. To reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files, users should log off computers when unattended and an inactivity control should be implemented to lock a computer or terminate a user session after a certain period of inactivity.

Without an inactivity control, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.



Summary of Local Government and Court Audit Findings
Information Security Controls
Audit Issues

Recommendation

Ensure an inactivity control is implemented to lock a computer or system after a certain period of inactivity.

Report Source

2015-068 (DeKalb County)
2015-114 (Hannibal School District #60)
2015-115 (Harrison County)
2015-133 (Henry County)
2016-012 (Douglas County)
2016-021 (Marion County)
2016-024 (Ozark County)
2016-027 (Stone County)

3.2 Unsuccessful logon attempts

Security controls have not been implemented to lock access to a computer or system after a specified number of unsuccessful logon attempts. Logon attempt controls lock the capability to access a computer or system after a specified number of consecutive unsuccessful logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer or system by guessing passwords.

Without effective controls to limit the number of consecutive unsuccessful logon attempts, there is less assurance sensitive data is effectively protected from unauthorized access.

Recommendation

Ensure a security control is implemented to lock access to a computer or system after multiple unsuccessful logon attempts.

Report Source

2015-068 (DeKalb County)
2015-099 (Ralls County)
2015-114 (Hannibal School District #60)
2015-128 (City of Gallatin)
2015-133 (Henry County)
2016-012 (Douglas County)
2016-021 (Marion County)
2016-024 (Ozark County)
2016-027 (Stone County)

3.3 Malware protection

Policies and procedures to ensure computer systems are adequately protected from malware (malicious code) have not been established and malware protection software to detect and eradicate malicious code has not been installed timely.

Without adequate malware protection, there is an increased risk that computers will be infected by malware and that unauthorized processes will have an adverse impact on the confidentiality, integrity, or availability of a system.



Summary of Local Government and Court Audit Findings
Information Security Controls
Audit Issues

Recommendation

Ensure computers and systems are adequately protected from malware.

Report Source

2015-116 (Village of Leasburg)
2015-130 (Goodman Area Fire Protection District)

4. Backup and Recovery

4.1 Data backup

Data in various systems is not periodically backed up. Preparation of backup data, preferably on a daily or at least weekly basis, provides reasonable assurance data could be recovered if necessary.

Without regular data backups, there is an increased risk critical data will not be available for recovery should a disruptive incident occur.

Recommendation

Ensure data is regularly backed up.

Report Source

2015-130 (Goodman Area Fire Protection District)
2016-021 (Marion County)
2016-024 (Ozark County)

4.2 Off-site storage

Data backups are not stored at a secure off-site location. Data backups are performed, however, the backups are stored at the same location as the original data leaving the backup data susceptible to the same damage as the original data.

Without storing backup data at a secure off-site location, critical data may not be available for restoring systems following a disaster or other disruptive incident.

Recommendation

Ensure backup data is stored in a secure off-site location.

Report Source

2015-079 (Grundy County)
2015-099 (Ralls County)
2016-021 (Marion County)
2016-024 (Ozark County)
2016-027 (Stone County)

4.3 Periodic testing

Periodic testing of backup data is not performed. Periodic testing of backups is necessary to ensure the backup process is functioning properly and to ensure all essential data can be recovered.

Without testing the full backup process, management cannot be assured the entire system can be restored when necessary.



Summary of Local Government and Court Audit Findings
Information Security Controls
Audit Issues

Recommendation

Ensure backup data is tested on a regular, predefined basis.

Report Source

2015-079 (Grundy County)
2015-099 (Ralls County)
2016-024 (Ozark County)
2016-027 (Stone County)

5. Data Management

5.1 Data integrity

Data integrity controls to guard against the improper modification or destruction of data and information have not been implemented. In addition, audit trail controls to provide evidence demonstrating how a specific transaction was initiated, processed, and recorded have not been established. As a result, critical systems, including accounting systems, property tax systems, and case management systems do not prevent users from manually entering dates or from changing check numbers and check dates in the systems once checks have been printed and issued. Also, critical systems do not prevent users from postdating or backdating receipts and checks or voiding and reissuing the same instrument number without a transaction audit trail being recorded. In addition, systems do not have the functionality to generate audit trail reports of receipts closed before being finalized or receipts voided by users after the transactions have been processed.

Without data integrity and audit trail controls, there is an increased risk of manipulation of data without detection and the loss, theft, or misuse of funds.

Recommendation

Ensure adequate data integrity and audit trail controls are in place to allow for the proper accountability of all transactions.

Report Source

2015-048 (City of Kimberling)
2015-060 (City of Joplin)
2015-079 (Grundy County)
2015-115 (Harrison County)
2015-116 (Village of Leasburg)
2016-002 (45th Judicial Circuit/City of Winfield Municipal Division)
2016-021 (Marion County)
2016-027 (Stone County)
2016-036 (Linn County)

5.2 Student attendance data

The attendance system does not limit the time frame during which changes can be made and there is no review by officials to ensure changes made to current school year attendance records are appropriate. In addition, an audit trail report of changes made is not generated and reviewed to ensure all changes made to attendance records are accurate and appropriate.



Summary of Local Government and Court Audit Findings
Information Security Controls
Audit Issues

Without limiting the time frame during which changes can be made or reviewing changes made, data is subject to erroneous changes that may significantly affect the reliability of official attendance reports.

Recommendation

Ensure student attendance data is accurately recorded and reported, including restricting the time frame during which changes can be made and ensure an audit trail of changes made to attendance data be prepared and reviewed for accuracy.

Report Source

2016-031 (Fox C-6 School District)

5.3 Numerical sequence

The numerical sequence of receipt numbers cannot be accounted for since the computerized system issues a sequential number for any action recorded in the system, including receipts, disbursements, and deposits.

Without adequate controls to account for the numerical sequence of receipt numbers, there is an increased risk of loss, theft, or misuse of funds.

Recommendation

Work with the computer software vendor to ensure adequate controls are in place to allow for proper accountability of all receipt numbers.

Report Source

2016-020 (Dunklin County)

5.4 Vendor contract

A written contract with a vendor providing information technology services has not been established. Clear and detailed written contracts, including reporting requirements and provisions to allow for proper monitoring, are necessary to ensure all parties are aware of their duties and responsibilities, prevent misunderstandings, and ensure monies are used appropriately and effectively. Additional terms should be included in contracts with information technology vendors to protect sensitive and confidential data.

Without a written contract, an organization cannot ensure the security and privacy of its data, and cannot rely on enforceable contractual provisions in the event of a vendor dispute or noncompliance.

Recommendation

Ensure written contracts are established with vendors providing information technology services. Contracts should contain sufficient terms to limit access to and protect sensitive and confidential data.

Report Source

2015-048 (City of Kimberling)

Summary of Local Government and Court Audit Findings

Information Security Controls

Appendix - Audit Reports

Report Number	Title	Publication Date
2015-048	City of Kimberling	July 2015
2015-054	13th Judicial Circuit/Boone County	July 2015
2015-060	City of Joplin	August 2015
2015-068	DeKalb County	September 2015
2015-079	Grundy County	September 2015
2015-096	Holt County	October 2015
2015-099	Ralls County	November 2015
2015-100	Warren County	November 2015
2015-114	Hannibal School District #60	November 2015
2015-115	Harrison County	November 2015
2015-116	Village of Leasburg	November 2015
2015-117	Phelps County	November 2015
2015-123	Butler County	December 2015
2015-126	29th Judicial Circuit/City of Carl Junction Municipal Division	December 2015
2015-128	City of Gallatin	December 2015
2015-130	Goodman Area Fire Protection District	December 2015
2015-133	Henry County	December 2015
2015-135	29th Judicial Circuit/City of Joplin Municipal Division	December 2015
2016-002	45th Judicial Circuit/City of Winfield Municipal Division	January 2016
2016-010	24th Judicial Circuit/City of Leadington Municipal Division	March 2016
2016-012	Douglas County	March 2016
2016-018	Madison County	April 2016
2016-020	Dunklin County	April 2016
2016-021	Marion County	April 2016
2016-024	Ozark County	May 2016
2016-027	Stone County	May 2016
2016-031	Fox C-6 School District	May 2016
2016-033	21st Judicial Circuit/City of Bella Villa Municipal Division	June 2016
2016-035	Oregon County	June 2016
2016-036	Linn County	June 2016



Office of Missouri State Auditor
Nicole Galloway, CPA

**City of Bridgeton Employees
Retirement Plan
Funding and Governance**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Bridgeton Employees Retirement Plan

Background and Summary

The City of Bridgeton Employees Retirement Plan, a defined benefit retirement plan, was established by the City of Bridgeton, Missouri in 1971. The city's Code of Ordinances designate the City Council as the plan's trustee, and the city's Finance Commission assists with oversight of the plan. The plan guarantees monthly payments to eligible members, beginning upon retirement, based on a fixed percentage of members' average annual earnings multiplied by years of credited service. The plan is non-contributory and is funded by annual contributions from the city and plan investment earnings. The plan was closed to new employees hired on or after January 1, 2012.

As of plan year 2015, actuarial studies indicated the plan was only 67 percent funded and had unfunded liabilities of nearly \$14 million. Similar to many retirement plans nationwide, the plan's financial condition was significantly impacted by the 2007 to 2009 recession. We identified various internal factors that also negatively impacted the plan's financial condition. Inadequate plan governance and oversight allowed for decisions that were unfavorable to the plan, including insufficient contributions and investment return assumptions higher than actual returns.

Financial Condition

The plan's financial condition is poor primarily because the city has not met annual contribution requirements and investment returns have been historically less than assumed returns. Annual contributions received from the city during the 7-year period from 2009 to 2015, averaged only 60 percent of actuarially determined contribution (ADC) amounts, an average contribution shortfall of \$628,000 per year. The failure to provide ADC amounts for a number of years has a compounding effect on the plan's poor financial condition and increases the risk the plan may not be able to pay all future benefit payments owed to members. The city also has not developed formal funding or investment policies. In addition, the city's recent actions to address the plan's poor financial condition were made without timely analysis of the impact and sufficiency of the changes.

Plan Governance

Because the plan is governed by the City Council, the governance structure does not allow representation of varied and balanced interests and provides for an inherent conflict of interest. The City Council, as plan trustee, does not sufficiently monitor and oversee the plan. In addition, the Finance Commission is responsible for oversight of the plan, but did not hold meetings during 2012, 2013, or 2014. The city has not established a plan board member education program and City Council members have not received training concerning their fiduciary responsibilities and duties, as required by state law.

Actuarial Valuations

The city's continued use of a 30-year open amortization method for calculating the annual ADC provides for inequities because costs of current covered employees are shifted to future generations. The city has never obtained an independent actuarial audit or alternative review to ensure the reliability of amounts reported in plan actuarial reports and the reasonableness of the actuarial methods and assumptions used by the plan actuary.

Communication to Key Stakeholders

City officials have not prepared or distributed reports of financial information, including information showing the impact of insufficient contributions on plan financial condition, to key stakeholders such as employees, retirees, and citizens. City officials primarily used a less relevant and misleading funding statistic, rather than the plan's funded ratio, to communicate the plan's financial condition. For example, city officials cited an 83 percent "funded percentage" in 2014 and 2015, when the plan funded ratio was only 64 percent.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

City of Bridgeton Employees Retirement Plan

Funding and Governance

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Members of the City Council
Bridgeton, Missouri

Due to concerns regarding plan financial condition, we have audited the City of Bridgeton Employees Retirement Plan's funding and governance as authorized under Chapter 29, RSMo. The objectives of our audit were to:

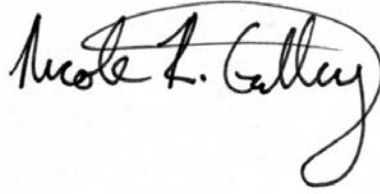
1. Analyze key data indicating the plan's financial condition.
2. Evaluate the impact of key factors influencing the plan's financial condition.
3. Evaluate the internal controls, management practices, and decisions impacting the plan's financial condition.
4. Evaluate compliance with certain legal provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) data indicating a poor overall financial condition, (2) various key factors contributing to the plan's financial condition, (3) the need to improve plan oversight and management practices, and (4) noncompliance with legal provisions.

As of plan year 2015, actuarial studies indicated the plan was 67 percent funded and had unfunded liabilities of nearly \$14 million. Similar to many retirement plans nationwide, the plan's financial condition was significantly impacted by the 2007 to 2009 recession. We identified various internal factors that also negatively impacted the plan's financial condition. Inadequate plan governance and oversight allowed for decisions that were unfavorable to the plan, including insufficient contributions and investment return assumptions higher than actual returns. Also, the city has not followed best practices related to management of retirement plans, complied with training requirements in state law, or adequately communicated with key stakeholders regarding the plan's financial condition.

The accompanying Management Advisory Report presents our findings arising from our audit of the Bridgeton Employees Retirement Plan's funding and governance.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly distinguishable. It is written over a faint, circular embossed seal.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Kim Spraggs, CPA
Audit Manager:	John Lieser, CPA
In-Charge Auditor:	Josh Allen, CPA, CFE

City of Bridgeton Employees Retirement Plan

Funding and Governance

Introduction

Background

The City of Bridgeton Employees Retirement Plan (plan), a defined benefit (DB) retirement plan, was established by the City of Bridgeton, Missouri in 1971. The plan was created by local ordinance and is codified by Chapter 140 of the city's Code of Ordinances.

The city's Code of Ordinances designate the City Council as the plan's trustee unless the City Council designates an individual or committee of individuals as fiduciaries. No such alternate designation has been made. As the plan's trustee, the City Council has the power and duty to take all actions and make all decisions necessary to carry out the plan, except that selection of administrative and professional service providers is subject to approval of the mayor.

The city's Finance Commission assists with oversight of the plan. The Finance Commission consists of five city residents, appointed by the mayor and approved by the City Council. One councilmember serves as an ex-officio member of the commission. General responsibilities of the commission include monitoring the plan's investment performance and financial condition based on the annual actuarial valuation. The city's Code of Ordinances grant the commission no legal authority to make decisions on behalf of the plan, therefore the commission functions solely in an advisory capacity.

Key city personnel involved in plan matters include the city administrator and city finance officer. The city administrator is appointed by the mayor and acts as chief finance officer, assists the mayor with preparation and administration of the annual city budget, and assists with plan administration. The finance officer reports to the city administrator. Both employees provide plan information and documentation to the Finance Commission and participate in commission meetings.

The plan guarantees monthly payments to eligible members, beginning upon retirement, based on a fixed percentage of members' average annual earnings multiplied by years of credited service. The plan is non-contributory, meaning members are not required to make contributions to the plan. The plan is funded by annual contributions from the city and plan investment earnings. The City Council made 2 significant changes to plan benefits in the last 15 years. The benefit multiplier was increased from 1.75 to 2.0 percent in 2001 and the plan was closed to new employees in 2013. For new employees not eligible for the plan, the city matches employees' contributions to the city's defined contribution plan up to a selected percentage (5 percent for 2015) of each employee's annual salary.



City of Bridgeton Employees Retirement Plan Funding and Governance Introduction

The plan is part of the city's financial reporting entity and is included in the city's audited Comprehensive Annual Financial Report (CAFR).¹ The city contracts with an actuary to perform annual actuarial valuations for the plan. Actuarial valuations determine plan liabilities, assets, and contributions. An annual actuarial valuation is used to calculate the contributions needed to fully fund the plan. Starting in 2014, the plan receives an additional actuarial valuation report that is used to present the plan's financial information in accordance with newly implemented governmental accounting standards.

In September 2014, the State Auditor's Office issued Report No. 2014-092, *Survey of Public Employee Retirement Systems in Missouri*. Our survey report analyzed financial data of all 89 public employee DB retirement plans in Missouri as of plan years 2011 and 2012. During this survey, we identified the Bridgeton Employees Retirement Plan as one of several plans having indicators of a poor financial condition. Our survey reported the plan's funded ratio had declined from 100 percent in plan year 2002 to 61 percent in plan year 2011, and the city's actual annual contributions to the plan as a percentage of actuarially determined contributions had declined from 92 percent in plan year 2006 to 57 percent in plan year 2012. In March 2016, we obtained and analyzed Missouri public employee retirement plan data from a database maintained by the Joint Committee on Public Employee Retirement (JCPER), noting continued concerns regarding the plan's financial condition.

The JCPER prepares an annual "watch list" of retirement plans whose market value of assets is less than 70 percent of the plans' actuarially accrued liabilities. The Bridgeton Employees Retirement Plan has been listed on the watch list since 2009.

Defined Benefit Plans

DB plans typically promise retirement benefits to eligible members in the form of monthly payments. The monthly payments begin upon members' retirement and continue throughout their remaining lives, normally with some options for survivor benefits. The authorizing government and/or the sponsoring government and the plan's governing board design various aspects of the DB plan's benefit structure and policies. The governing board manages the plan's assets/investments and retirement benefit payments. Because benefit payments are guaranteed, the sponsoring government is responsible for funding these payments and assumes nearly all of the financial risk associated with operating the plan.

¹ Recent CAFR reports are available through the city's website at <http://www.bridgetonmo.com/departments/administration/finance>



City of Bridgeton Employees Retirement Plan
Funding and Governance
Introduction

Retirement benefits are funded by plan assets accumulated from contributions by sponsoring governments, employees, or other sources; and investment earnings. These assets are held in trust for future benefit payments to retirees. To be considered fully funded, current plan assets should equal the estimated current (present) value of future benefit payments (accrued liabilities) earned by employees as of the actuarial valuation date.

Contributions necessary to fund retirement benefits of DB plans are often determined using an actuarial funding approach. With this approach, an actuarial analysis estimates and compares the present value of future benefit payments (actuarially accrued liabilities, or AAL) to plan assets. The actuary calculates the actuarially determined contributions (ADC) necessary to meet plan funding goals. The ADC includes an amount for normal costs and an amortization payment for the unfunded actuarially accrued liability (UAAL). The ADC must be paid to achieve funding goals.

Scope and Methodology

To analyze and evaluate the plan's financial condition, and due to the long-term nature of retirement plan funding, we reviewed plan data that was readily available for the 10 years ended December 31, 2015. We obtained and analyzed key plan data indicating the plan's financial condition. Plan data was primarily obtained from the city's annual financial statements and the plan's annual actuarial reports. We also compared plan data to aggregate data of all Missouri DB plans obtained from the JCPER. This aggregate data was compiled by the JCPER in a database from information submitted by the DB plans. The most recent data in the JCPER database was as of plan year 2014.

Our methodology included conducting interviews with current and former city officials regarding various management practices and actions related to plan financial condition and reporting, and the plan's contracted actuary. We obtained an understanding of the funding and governance approaches and applicable controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violation of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. Records reviewed included the city's audited financial statements, actuarial reports, contracts with vendors, and meeting minutes of the City Council and the Finance Commission.



City of Bridgeton Employees Retirement Plan Funding and Governance Introduction

Our evaluation considered best practices related to management of public employee DB retirement plans, as identified in our survey report. The best practice sources include various guides and advisories issued by the Government Finance Officers Association (GFOA) and recommendations issued by the Pension Funding Task Force in its report, *PENSION FUNDING: A Guide for Elected Officials*. The Pension Funding Task Force was established by several national organizations representing local and state governments and its publication is intended to offer guidance on funding standards and practices.

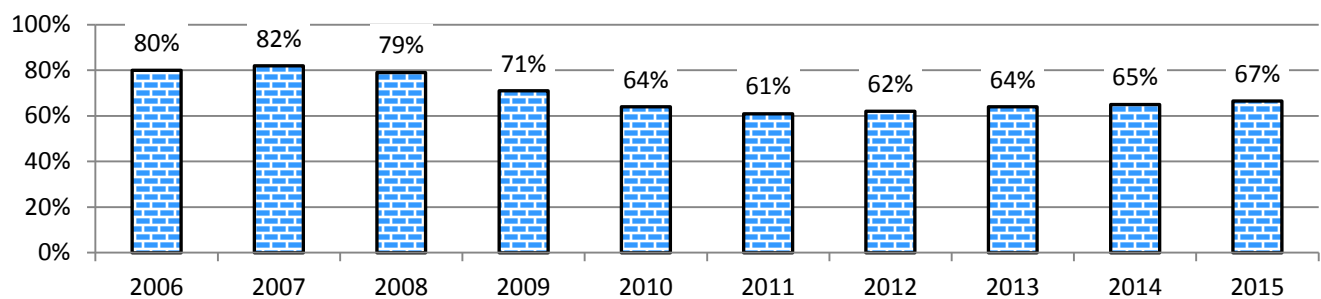
Since 1997, the city annually engaged RubinBrown, LLP, Certified Public Accountants (CPAs), to audit the city's financial statements, including the Pension Trust Fund. The audit of the city's year ended December 31, 2015 financial statements had not been completed at the time of our audit. Therefore, we reviewed the audit report and substantiating workpapers of the CPA firm for the year ended December 31, 2014, to minimize duplication of effort and obtain an understanding of the nature, timing, and extent of audit procedures relating to the audited financial statement amounts and disclosures pertaining to the Pension Trust Fund.

Plan Financial Condition

The plan's financial condition is poor. As of plan year 2015, the plan was 67 percent funded and had unfunded liabilities (UAAL) of nearly \$14 million.

Funded Ratio

The plan's funded ratio, one of the most often cited indicators of financial condition, has declined from 80 percent in plan year 2006 to 67 percent in plan year 2015. The following chart shows the plan's funded ratios at year-end over the last 10 years.



While slight improvements to the plan's funded ratio have occurred in recent years due to higher than average investment returns in plan years 2012 and 2013, the plan's funded ratio indicates the plan has been significantly underfunded for several years. The funded ratio is determined by dividing the actuarial value of assets by actuarially accrued liabilities (AAL) and represents the percentage of the present value of future benefit payments (accrued liabilities) earned that are covered by plan assets as of the valuation date. When a plan has not accumulated enough assets to cover



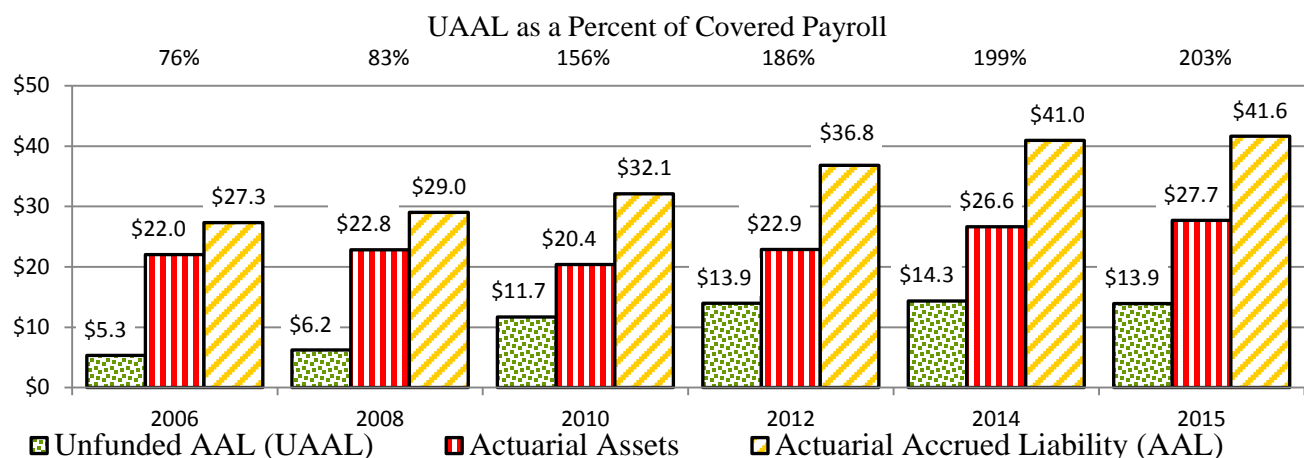
City of Bridgeton Employees Retirement Plan Funding and Governance Introduction

expected benefit payments in future years based on service to date, the plan has UAAL. A plan is considered fully funded if the plan's assets meet or exceed the plan's liabilities.

For comparison, the aggregate funded ratio for all Missouri public employee DB retirement plans for plan year 2014 was 80 percent according to plan data in the JCPER's database. While there are widely varying viewpoints regarding what minimum funded ratio percentage indicates a plan is adequately funded, it is common for a public employee DB retirement plan with a funded ratio of less than 80 percent to be considered insufficiently funded. A DB plan's goal should be to achieve at least 100 percent funding so plan assets are sufficient to cover all future benefit payments.

Unfunded Liabilities

The following chart shows the plan's AAL and UAAL at year-end over the last 10 years. The chart shows trends of a widening gap between actuarial assets and AAL, and an increasing UAAL. The chart also shows the growing UAAL as a percentage of annual covered payroll. This percentage increased from 76 percent in plan year 2006 to 203 percent in plan year 2015. Unless the UAAL significantly declines, the percentage will continue to increase because covered payroll is expected to decrease due to the plan closing to new employees.



Note: Amounts are presented in millions of dollars

The Governmental Accounting Standards Board (GASB) standards for accounting and reporting requirements for DB Plans were amended in 2012 and implemented by plans and sponsoring governments in 2014 and 2015. The new accounting standards significantly changed the pension data available in plan and sponsoring government financial statements. The plan's total pension liability (TPL) and fiduciary net position (FNP), calculated using newly required asset and liability measurements, showed a TPL of \$45.6 million for plan year 2014 and \$48.2 million for plan year 2015. The plan's FNP was \$26.3 million for plan year 2014 and \$24.9 million for plan year 2015. The plan's resulting FNP/TPL was only 58 percent for plan year 2014 and 52 percent for plan year 2015.

City of Bridgeton Employees Retirement Plan

Funding and Governance

Management Advisory Report - State Auditor's Findings

1. Financial Condition

The City of Bridgeton Employees Retirement Plan's financial condition is poor primarily because the city has not met contribution requirements since plan year 2008 and investment returns have been historically less than assumed returns. The lack of adequate board governance, policies, and oversight, as noted at MAR finding number 2, allowed for decisions that worsened the plan's financial condition.

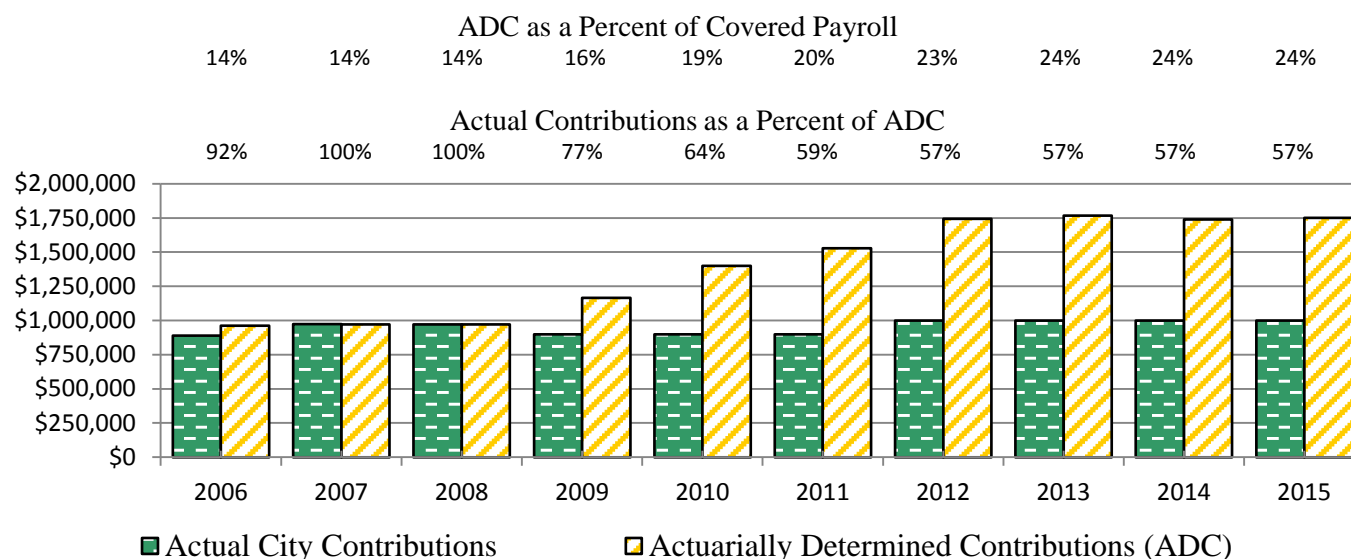
1.1 Funding

Actuarially determined annual contributions have not been received from the city since 2008, and the city has not developed a funding policy. In addition, the city's recent actions to address the plan's poor financial condition were made without timely analysis of the impact and sufficiency of the changes.

Contributions

The city's decisions to contribute significantly less than ADC amounts has been a primary factor in the plan's poor financial condition.

Actual contributions as a percentage of ADC, or percentage of ADC paid, indicates the extent the city is making the contribution payments as determined by the actuary. This factor measures the city's commitment to achieving the plan's overall funding goals. The ADC is determined based on various actuarial assumptions and practices. The following chart shows the ADC amounts and amounts actually contributed by the city over the last 10 years.



Despite annual actuarial reports indicating the plan is in poor financial condition, the city contributed significantly less than ADC amounts in each of the last 7 years (2009 through 2015). The ADC significantly increased over the last 7 years; however, the city's contributions remained at levels contributed prior to 2009. Actual contributions as a percentage of ADC



City of Bridgeton Employees Retirement Plan
Funding and Governance
Management Advisory Report - State Auditor's Findings

averaged only 60 percent during the 7-year period, and the contribution shortfall averaged \$628,000 per year during the period. For 2016, the city budgeted contributions to the plan totaling \$1.2 million, or 71 percent of the approximately \$1.7 million ADC amount. While the city generally makes contributions to the plan based on budgeted amounts, the budgeted amounts recommended by the mayor and approved by the City Council did not increase to cover increasing ADC amounts. The city's continued underfunding of pension obligations was cited by Moody's Investor Services as a factor in its November 2015 downgrading of the city's issuer rating.

Our review of City Council and Finance Commission meeting minutes and budget messages during the last 10 years noted no documented discussions concerning the City Council's decision to budget and pay less than the ADC amounts. City officials stated city resources were insufficient to provide the needed funding to the plan, and decreases to city programs, staffing, services, and employee benefits would have been necessary to fully contribute ADC amounts. City officials indicated the city has experienced revenue shortfalls during this period due to a number of reasons including (1) the recent economic recession, (2) a decline in population due to the airport expansion, (3) costs associated with natural disasters, and (4) increasing employee health insurance premiums. The city's audited financial statements show the city's general fund expenditures exceeded revenues during the last 10 years, and the general fund unreserved balance decreased from \$3.8 million at January 1, 2006, to \$1.1 million at December 31, 2015.

The failure to provide ADC amounts for a number of years has a compounding effect on the plan's poor financial condition and increases the risk the plan may not be able to pay all future benefit payments owed to members. The GFOA² recommends "under no circumstance should state and local government plan sponsors engage in pension contribution holidays or make insufficient contributions. When employers skip an actuarially determined contribution or make smaller payment, they defer that cost to the future and jeopardize the long-term funding of the plan. When governing bodies arbitrarily reduce contributions to a plan, the resulting systemic underfunding ensures future financial shortfalls and places the burden for that shortfall on future taxpayers. These types of funding decisions compound future funding problems and are, in many instances, a leading cause of funding shortfalls."

² "Responsible Management and Design Practices for Defined Benefit Pension Plans," Government Finance Officers Association, October 2010, <<http://www.gfoa.org/responsible-management-and-design-practices-defined-benefit-pension-plans>>, accessed on June 7, 2016, p. 1.



City of Bridgeton Employees Retirement Plan
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Funding policy

The city has not developed a formal funding policy. As a result, there are no policies or guidelines for city officials to utilize when making decisions impacting the plan's financial condition.

The city's ordinance regarding plan contributions does not require making actuarially determined contributions. Section 140.380 of the city's Code of Ordinances states "the City intends to contribute, but does not guarantee to do so, funds hereunder in amounts actually necessary for the funding of the plan."

A plan's funding policy plays an integral role in the plan's financial condition. The GFOA³ recommends "every state and local government that offers defined benefit pensions formally adopt a funding policy that provides reasonable assurance that the costs of those benefits will be funded in an equitable and sustainable manner." In addition, the Pension Funding Task Force⁴ states that a clear pension funding policy is important because it "lays out a plan to fund pensions; provides guidance in making annual budget decisions; demonstrates prudent financial management practices; reassures bond rating agencies; and shows employees and the public how pensions will be funded." The Task Force recommends the policy address the core elements of pension funding (actuarial cost method, asset smoothing method, and amortization policy) consistent with the general objectives of basing funding on actuarially determined contributions, building funding discipline, maintaining intergenerational equity, making employer costs a consistent percentage of payroll, and requiring clear reporting.

Recent actions

The city did not obtain written projection analyses to determine the sufficiency of recent changes to plan provisions and contribution amounts. The city took actions in 2013 and 2015 to try to improve the plan's financial condition. While these decisions show the city acknowledged and tried to address the plan's deteriorating financial condition, the actions were made without determining the impact of the changes and the extent the changes will improve the plan's financial condition.

- In January 2013, the City Council voted to close the plan to new employees hired or rehired on or after January 1, 2012. This decision was made in response to a concern raised by the actuary in February 2012 that plan funding was nearing the criteria of contribution

³ "Funding Defined Benefit Pension," Government Finance Officers Association, June 2012, <<http://www.gfoa.org/funding-defined-benefit-pensions>>, accessed on June 7, 2016, p. 1.

⁴ "PENSION FUNDING: A Guide for Elected Officials," 2013, <http://www.nasact.org/files/News_and_Publications/White_Papers_Reports/2013_03_25_Pension_Funding_Guide.pdf>, accessed on June 7, 2016, p. 4.



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deficiency under state law. Section 105.683, RSMo, states if a plan's funded ratio is below 60 percent and has been descending for 5 consecutive years, and the sponsoring government has not paid 100 percent of the ADC for 5 years, the sponsoring government can be considered delinquent in making contribution payments. The law provides certain plans in this situation can intercept state payments due to the sponsoring government in the amount of 25 percent of the contribution deficiency.

- In early 2015 city officials decided to begin making incremental annual increases in contributions and seek voter approval for a general hotel/motel tax increase to help fund the increases. In April 2015, voters approved the tax increase, which city officials project will increase the city's general revenues by \$900,000 per year. City officials decided to increase annual contribution amounts by \$200,000 each year until the full ADC amount is reached, and to make the full ADC each year thereafter. Accordingly, the city budgeted \$1.2 million for contributions for 2016, an increase from \$1.0 million paid in each of the previous 4 years.

In the cover letter to the 2016 funding actuarial valuation report, the actuary warned "to date, the plan asset values have been relatively stable year over year, but the magnitude of the benefit payments is considerably greater than the contributions being made, and you can anticipate that the asset values will begin to decline." In the 2016 actuarial valuation prepared under newly implemented accounting standards for financial statement purposes, even with the city's planned contribution increases and eventual full contributions, and current actuarial assumptions, the actuary was required to use a blended assumed investment rate of return (discount rate) of 6.15 percent because the plan's FNP will not be sufficient to make all projected future benefit payments of current plan members.

Analyzing the impact of changes to plan benefits and contributions would assist City Council members in determining whether proposed changes are adequate to provide anticipated outcomes, and whether additional changes are necessary.

Conclusions

To attain good plan financial condition, it is imperative the City Council reinstate contributions to the plan of at least ADC amounts. The City Council should work with the plan's actuary to develop a funding plan that will increase plan assets to a level sufficient to pay all projected benefit payments. In developing such a plan, the City Council should first evaluate and revise as necessary, various actuarial assumptions and methods as recommended in this report. The City Council should develop a formal funding policy to guide funding decisions and communicate its funding intentions to plan members and the public. Also, the city should obtain an



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actuarial analysis that evaluates the projected impact of recent decisions on the plan's financial condition.

1.2 Investments

Actual investment returns have historically been less than assumed returns, and the city has not established an investment policy or analyzed the sufficiency of plan investment return assumptions.

The plan's investments are managed by a contracted investment firm. The city changed plan investment firms in April 2015, and had contracted with the previous investment firm for 29 years.

Assumed rate of return

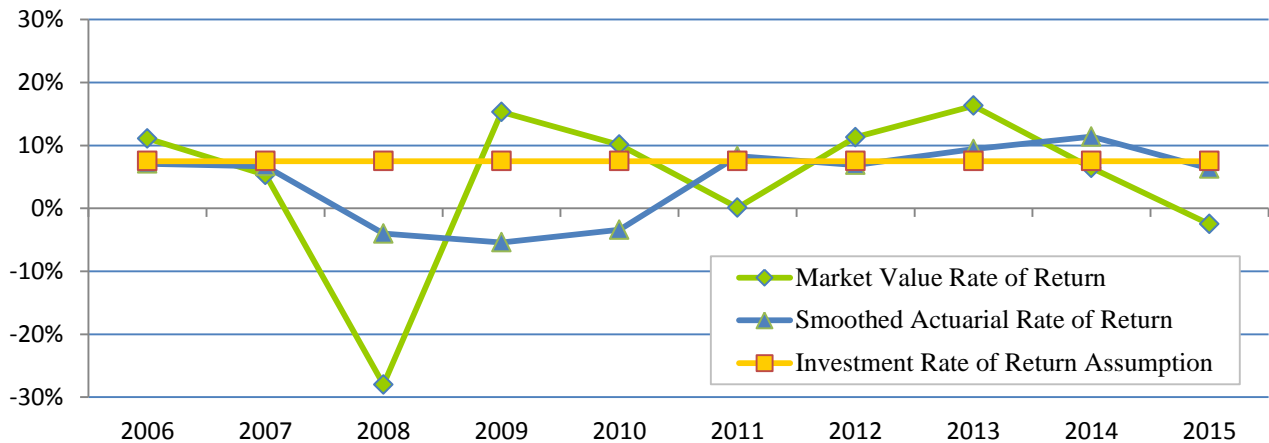
The plan's actual rate of return has historically been lower than the assumed investment rate of return, and a formal analysis has not been performed to determine the reasonableness of the assumed investment rate of return.

The assumed investment rate of return is the long-term rate of return expected on plan assets, and is often cited as the actuarial economic assumption having the most impact on plan financial condition. Changes to the assumed rate of return can significantly influence the determination of the ADC amounts and funded ratio. When setting the assumed rate of return, a plan should consider current and past economic conditions, long-term economic outlook predictions, expected inflation, past investment performance, investment policies, and asset allocation. The same or similar rate is typically assumed each year due to the long-term nature of the rate. The assumed rate of return is typically used as the discount rate when calculating the present value of plan liabilities through a method called discounting.

A comparison of the plan's market value, smoothed, and assumed investment rates of return over the last 10 years is shown in the following chart. For determining actuarial asset valuations, the plan's actuary smooths the market value gains and losses over a 3-year time period. As shown in the chart, the plan's assumed rate of return was 7.50 percent, while the market and smoothed rates of return were significantly less than 7.50 percent in several years during the 10-year period.



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The plan's long-term time-weighted smoothed investment returns⁵ have been significantly less than the plan's current assumed rate of return of 7.50 percent. The chart below shows the plan's time-weighted smoothed returns over the previous 30, 20, and 10-year time periods ended December 31, 2015. These calculations are based on smoothed annual investment returns reported in the plan's 2016 funding actuarial report.

Time Period	Time-Weighted Return
30 years	6.42%
20 years	5.14%
10 years	4.16%

City officials indicated the plan's assumed rate is comparable to other public employee DB retirement plans but a formal analysis to determine the reasonableness of the rate has not been performed. Our survey report showed the average assumed investment return for Missouri's 89 public employee DB plans was 7.17 percent as of plan year 2012. Recent information from the JCPER's database indicates this amount decreased to 7.07 percent as of plan year 2014. This average had declined from 7.58 percent in plan year 2003, a likely indicator plans were anticipating slower economic growth in future years. While the plan's assumed rate of return is in line with that of other plans statewide, there is significant debate among pension and public finance professionals regarding whether these rates are too high. This debate is discussed in the Risk-Free Discount Rate Debate section of the survey report.

⁵ The plan changed asset valuations methods from a market value method to a 3-year smoothed method beginning with the January 1, 1996 valuation.



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Retirement plans should achieve at least the assumed investment rate of return over the long term to properly fund benefit payments. If the rate is not reevaluated regularly, plans cannot ensure the reasonableness of the rate and the resulting ADC and funded ratio. If rate is not set realistically, over time the funded ratio and contributions could become inconsistent with plan liabilities. A rate set too high could jeopardize the financial condition of the plan. The GFOA⁶ states "Unrealistically high investment return assumptions are likely to result in a chronically declining funded ratio and higher contributions in the future. Caution should be exercised to ensure the investment return assumption reflects the reasonably expected returns of the plan's asset allocation over a reasonable period of time."

The GFOA⁷ recommends retirement plans periodically engage an actuary to perform additional services to assist management in determining the reasonableness of actuarial assumptions. Such services include an experience study, performed no less frequently than every 5 years, that determines whether actuarial assumptions are in line with a plan's demographic and economic experience. Experience studies can include a review of a plan's assumed rate of return and would assist plan management in determining if changes to the rate or the plan's investment strategy are necessary. Given the significant role of a plan's assumed rate of return, the City Council should consider obtaining an experience study or performing similar procedures.

Investment policy

The city has not developed a formal investment policy outlining the key aspects of the plan investment program, such as investment strategies and goals and monitoring of investment performance.

City officials indicated the current asset allocation (60 percent equities and 40 percent fixed income) was developed through discussions of the Finance Commission and former investment firm personnel, but the allocation and other investment strategies and goals have not been formalized in an investment policy. Additionally, the City Council does not directly monitor plan investment performance or approve investment decisions. The current investment firm requested the city develop a formal investment policy in August 2015; however, city officials had not developed a policy as of May 2016.

⁶ "Responsible Management and Design Practices for Defined Benefit Pension Plans," Government Finance Officers Association, October 2010, <<http://www.gfoa.org/responsible-management-and-design-practices-defined-benefit-pension-plans>>, accessed on June 7, 2016, p. 2.

⁷ "Enhancing Reliability of Actuarial Valuations for Pension Plans," Government Finance Officers Association, September 2014, <<http://www.gfoa.org/enhancing-reliability-actuarial-valuations-pension-plans>>, accessed on June 7, 2016, p. 1.



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A sufficiently designed investment policy is essential due to the significance of investment income to plan assets. The GFOA⁸ recommends "state and local entities establish a formal investment policy that is approved by the governing board or trustee(s) of the pension plan." The GFOA recommends such a policy should address a variety of issues such as asset allocation, investment guidelines, roles and responsibilities of key decision makers, investment goals, and procedures for reporting and monitoring investment performance. The absence of a formal investment policy prevents the governing board from clearly communicating the investment goals, priorities, and responsibilities to plan officials and personnel, the contracted investment manager, and other interested parties. Also, when there is no policy and the assumed rate of return is too high, there is increased risk of poor investment decisions in an attempt to meet rate of return assumptions.

Recommendations

The City Council, as the plan's trustee:

- 1.1 Consult with the plan's actuary to develop a plan to increase plan assets to a level sufficient to pay all projected benefit payments and ensure annual contribution amounts are no less than the actuarially determined amounts. The City Council should develop a formal funding policy and obtain projection analyses when making changes impacting the plan's financial condition.
- 1.2 Obtain an experience study or similar procedures to evaluate the sufficiency of the plan's assumed investment rate of return and make changes to the rate and/or investment strategy if necessary. In addition, the City Council should develop a formal investment policy.

Auditee's Response

- 1.1 *The city has regularly consulted with the plan actuary over the past 30 years evaluating asset values, returns, and contributions. The city contributions from 1987-2008 mirrored or exceeded the ADC. After the recession of 2008 the ADC spiked to levels unseen before. The city continued to make significant contributions of \$1,000,000 per year for several years during a rough period of revenue declines. A consequence of making the full ADC of \$1,700,000 during those years would have resulted in staff layoffs and program and service cuts to the residents. The city was optimistic that the economy would rebound and budgeted to keep up the desired levels of service. The city has always made the budgeted City Council approved contributions. Yet the 30 percent asset loss in 2008 was very difficult to catch up in a short period of time. The city*

⁸ "Pension Investment Policies," Government Finance Officers Association, February 2003, <<http://www.gfoa.org/pension-investment-policies>>, accessed on June 7, 2016, p. 1.



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developed a plan in 2015 to increase contributions incrementally from \$1,000,000 to \$1,600,000 over three years to reach the full ADC and implemented a soft freeze for new hires. Voters approved a hotel tax increase, which helped to fund a portion of the increased contributions. Subsequently the funded ratio has increased in each of the last four years and contributions as a percent of the ADC increased to 69 percent in 2016 and will increase to approximately 83 percent in 2017. Therefore, the recent city actions did impact the plan favorably and valuations continue to trend upward. In the future, if further plan changes are considered, the city will obtain a formal projection analysis as recommended.

- 1.2 *The plan's assumed actuarial rate of return is discussed regularly with the actuary as part of the annual review process. The rate of return of 7.5 percent is comparable to that of many other public plans and the actuary and commission has felt it to be reasonable. The Missouri Joint Committee on Public Employee Retirement in their 2015 Annual Report cited the Missouri State Employees Retirement Plan having an 8 percent rate assumption. Over the past ten years, the market value rate of return of the plan has achieved or exceeded the rate assumption seven times. The 30 percent investment loss in 2008 also affected subsequent years due to the three year smoothed valuations. In the future the city will consider such a procedure as well as developing formal investment and funding policies. The Finance Commission did formally approve the asset allocation guidelines at the quarterly meeting on August 11, 2016. Investments are monitored monthly by staff and reviewed quarterly with presentations by the asset managers to the Commission. The "Prudent Person Rule" is strictly adhered to. The plan returns for the six months ending June 30, 2016 is at 7.15 percent.*

Auditor's Comments

- 1.1 While city officials have established a plan to increase contribution amounts incrementally each year beginning in 2016, this plan will not provide for full ADC payments for at least 3 more years. In addition, this plan assumes the ADC will remain the same each year, which is not guaranteed. Under the current plan, any increases in ADC will further delay full funding of the ADC. The continued failure to provide ADC amounts compounds the plan's funding problems and shifts the costs to future taxpayers.
- 1.2 Because the plan's actual rate of return has historically been lower than the assumed investment rate of return, a review of the assumed rate of return is necessary. This review should be based on actual plan experience, rather than a comparison to other retirement plans. As noted in our survey report, many Missouri public employee



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defined benefit retirement plans have reduced their assumed investment rates of return in recent years because they anticipate economic growth will be slower in future years. It is unrealistic to compare the plan's assumed rate of return to that of the Missouri State Employees' Retirement System (MOSERS) as MOSERS' assets are more than 300 times those of the Bridgeton Employees Retirement Plan. In June 2016, the MOSERS Board of Trustees voted to reduce its assumed rate of return from 8 percent to 7.65 percent, effective July 1, 2017.

2. Plan Governance

The plan's governance structure does not allow representation of varied and balanced interests. The City Council, which serves as the plan's trustee, does not provide adequate oversight and monitoring of the plan and City Council members have not received pension training as required.

Section 140.220 of the city's Code of Ordinances provides that the City Council manage and control the plan. While the Code of Ordinances allows the City Council to designate an individual or committee of individuals to serve as the plan's trustee, no such designation has been made. The city has delegated oversight of the plan to the Finance Commission, but only in an advisory capacity.

Governing Board

The plan is not governed by a board, independent from the city, and consisting of members representing varied and balanced interests.

Because the plan is governed by the City Council, the governance structure does not allow for a variety of interest groups to be represented. This governance structure provides for an inherent conflict of interest because the City Council is responsible for budgeting and planning decisions regarding both the city and the plan. The exclusion of viewpoints from all key stakeholders in plan decisions may have contributed to the plan's poor financial condition. During the 10 years ended December 31, 2015, City Council and Finance Commission membership did not include current employees or retirees.

The GFOA⁹ states "board governance is a crucial component of a properly managed DB plan. It is the manner and process by which Trustees exercise authority and control over all plan activities. DB plan sponsors should pay particular attention to the composition of the Board of Trustees and make efforts to ensure that varied interests are represented and balanced among those of employers, employees, retirees, taxpayers and unions, if

⁹ "Design Elements of Defined Benefit Retirement Plans," Government Finance Officers Association, February 2008, <<http://www.gfoa.org/design-elements-defined-benefit-retirement-plans>>, accessed on June 7, 2016, p. 3.



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Oversight

applicable." Providing for varied and balanced representation of a plan's governing board help ensure decisions are unbiased and the interests of all parties are considered.

The City Council, as the plan's trustee, does not sufficiently monitor and oversee the plan.

The City Council does not always review and approve documents relating to the plan's financial condition such as actuarial reports and investment performance reports, and does not approve some key decisions impacting the plan's financial condition, including decisions to maintain or change actuarial assumptions and investment practices. City officials indicated copies of Finance Commission meeting minutes and actuarial reports are distributed to councilmembers when the Finance Commission meets; however, the Finance Commission did not meet for a 3-year period.

Our review of City Council meeting minutes from 2006 through 2015 noted the plan was rarely discussed during semi-monthly City Council meetings. Meeting minutes during 2014 and 2015, only included two discussions regarding the plan. Both occurred in October 2014 after the plan was mentioned in our survey report.

In addition, the Finance Commission did not hold meetings during 2012, 2013, or 2014. City officials indicated the Finance Commission was often not able to establish a quorum until the appointment of new commission members in 2015. Our review of meeting minutes from Finance Commission meetings during the period 2006 through 2011 and 2015 noted the Finance Commission reviewed plan actuarial reports and investment performance reports, but the minutes included no documented discussions regarding the plan's poor financial condition. In the absence of the Finance Commission, these reports were reviewed by the city administrator and the finance officer.

As the plan's trustee and fiduciary, the City Council is expected to administer the plan in a prudent manner. The GFOA¹⁰ indicates the general standard for this "duty of prudence" is that "a trustee should act in a way that a reasonable or prudent person acts in a similar situation or in the conduct of his or her own affairs." Without reviewing and approving documents and decisions relating to the plan's financial condition, the City Council is unable to fulfill its fiduciary responsibilities.

¹⁰ "Governance of Public Employee Postretirement Benefits Systems," Government Finance Officers Association, March 2010, <<http://www.gfoa.org/governance-public-employee-postretirement-benefits-systems>>, accessed on June 21, 2016, p 1.



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Training

The city has not established a plan board member education program and City Council members, who serve as the plan's trustee, have not received training concerning their fiduciary responsibilities and duties, as required by state law. The Finance Officer and the former City Administrator received pension training in 2015 but the City Council members have not received training.

Effective January 2008, Section 105.666.1, RSMo, requires pension boards to establish a board member education program. The statute requires new board members to complete an orientation training program within 90 days of becoming new board members and all other board members to attend 6 hours of continuing education programs each year. Without adequate training, City Council members may lack adequate knowledge regarding the key aspects of public employee DB retirement plans and their role as plan fiduciaries. This could prevent the City Council from making decisions that ensure the plan is responsibly managed and financially solvent to satisfy all pension obligations.

Recommendation

The City Council, as the plan's trustee, maintain effective oversight of the plan by delegating fiduciary responsibilities to a pension board that consists of a varied and balanced representation of key stakeholders. Additionally, the City Council should develop and implement a training program for pension board members as required by state law.

Auditee's Response

The City Council and Mayor have delegated oversight responsibilities to an advisory board, the Finance Commission. The selection of members involves the balancing of representation of stakeholders (employers, taxpayers, unions, etc.). There is a residency requirement which limits the availability of retirees while the meetings are attended by staff and open to the public. The City Council is elected by the voters, thus there is little control over the composition of the Council. A councilmember is appointed as an ex-officio member of the Commission where actuarial reports are distributed and reviewed. The financial condition of the plan is discussed at the meetings, which were regularly held from 1988-2012. Member vacancies during 2012-2014 resulted in missed meetings. The Commission has met regularly since 2015. All plan amendments, key decisions, and annual contributions are approved by City Council.

The Missouri legislature passed HB 1882 in 2014, requiring 6 hours of continuing education annually for pension board members. Bridgeton's City Administrator and Finance Officer did complete this training in 2015. The training seminars have had limited offerings in various cities, requiring time commitments and enrollment fees. These offerings have and will be made available to councilmembers as recommended and they will be encouraged to attend to fulfill this requirement.



3. Actuarial Valuations

The method used to amortize the UAAL when calculating the annual ADC amounts is contrary to recommended best practices and the city has not obtained an actuarial audit.

The city has engaged the same actuary to prepare annual actuarial valuations for 10 years. The annual actuarial valuations are reviewed by the Finance Commission, city administrator, and finance officer, and report the plan's liabilities, assets, contributions, and other key information that indicate plan financial condition.

3.1 Amortization Method

The city's continued use of a 30-year open amortization method for calculating the annual ADC provides for inequities because costs of current covered employees are shifted to future generations.

Amortization methods are used to determine the contributions needed to fund the UAAL. Retirement plans typically spread the contribution payments across several years, called the amortization period. An open amortization period allocates UAAL over an identified number of years on a rolling year basis. A closed amortization period sets a future date the UAAL will become fully funded and reduces the amortization period by 1 year each year after the closed period policy is adopted. The city utilizes a 30-year open amortization period, which spreads the UAAL over the next 30 years. In theory, this method could eventually approach full funding of the liability; however, it will require significantly longer than the 30 years to arrive at a nearly fully funded position because there is no definite date in the future to achieve the goal.

Since the plan was closed to new employees beginning in January 2012, the use of a 30-year open amortization period will spread a portion of the UAAL into periods after the covered employees are no longer employed. The plan's actuary warned of this concern in the cover letter to the 2016 funding actuarial valuation report. City officials indicated they have always used this amortization method and have not analyzed the potential results of using other methods.

The GFOA¹¹ recommends "the ADC should be calculated in a manner that fully funds the long-term costs of promised benefits, while balancing the goals of 1) keeping contributions relatively stable and 2) equitably allocating the costs over the employees' period of active service." The Pension Funding Task Force states the principle of intergenerational equity in relation to pension funding ensures "the cost of employee benefits is paid

¹¹ "Funding Defined Benefit Pensions," Government Finance Officers Association, June 2012, <<http://www.gfoa.org/funding-defined-benefit-pensions>>, accessed on June 7, 2016, p. 1.



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by the generation of taxpayers who receives services."¹² In addition, the GFOA¹³ recommends amortization of the UAAL should use closed periods and should "never exceed 25 years, but ideally fall in the 15-20 year range." Implementation of amortization period best practices is only effective when full ADC payments are made.

3.2 Actuarial Audit

The city has never obtained an independent actuarial audit or alternative review to ensure the reliability of amounts reported in plan actuarial reports and the reasonableness of the actuarial methods and assumptions used by the plan actuary. City officials indicated they are satisfied by the services provided by their current actuary and obtaining an actuarial audit would result in additional costs to the plan.

The GFOA¹⁴ indicates "a comprehensive audit of the plan's actuarial valuations performed by an independent actuary at least once every five to eight years can be used to evaluate the appropriateness of the actuarial methods, assumptions, and their application." Without periodically obtaining an actuarial audit or similar procedures, the city has less assurance regarding the reliability of the plan actuarial reports.

Recommendations

The City Council, as the plan's trustee:

- 3.1 Work with the actuary to evaluate implementing a closed amortization period recommended by best practices.
- 3.2 Consider periodically obtaining actuarial audits or alternative reviews.

Auditee's Response

- 3.1 *The city will work with the actuary to evaluate implementing a closed amortization period as recommended.*
- 3.2 *The city will consider periodically obtaining actuarial audits or alternative reviews as recommended. The city did engage the actuary to perform a retirement incentive study in 2016 to continue to seek ways to improve the plan condition. Subsequently, 7 of the 106 active members have retired to date in 2016.*

¹² "PENSION FUNDING: A Guide for Elected Officials," 2013, <http://www.nasact.org/files/News_and_Publications/White_Papers_Reports/2013_03_25_Pension_Funding_Guide.pdf>, accessed on June 7, 2016, p. 6.

¹³ "Core Elements of a Funding Policy," Government Finance Officers Association, March 2013, <<http://www.gfoa.org/core-elements-funding-policy>>, accessed on June 7, 2016, pp. 1-2.

¹⁴ "The Role of the Actuarial Valuation Report in Plan Funding," Government Finance Officers Association, February 2013, <<http://www.gfoa.org/role-actuarial-valuation-report-plan-funding>>, accessed on June 7, 2016, p. 3.



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4. Communication to Key Stakeholders

The city has not adequately communicated plan financial information to key stakeholders. City officials have not distributed reports to stakeholders and used a less relevant funding statistic rather than the plan's funded ratio in communications regarding the plan's financial condition.

Reports to stakeholders

City officials have not prepared or distributed reports of financial information, including information showing the impact of insufficient contributions on plan financial condition, to key stakeholders such as employees, retirees, and citizens. While the city's annual financial statements contain plan financial information and are made available on the city's website, plan financial information is not provided directly to key stakeholders.

Misleading use of funding statistics

Our review of documentation of discussions of the plan's financial condition in City Council and Finance Commission meeting minutes as well as documentation submitted to the JCPER in response to the plan's inclusion on the annual watch list, noted city officials primarily used a less relevant funding statistic, rather than the plan's funded ratio, to communicate the plan's financial condition.

During an October 2014 City Council meeting, city officials discussed a newspaper article regarding our survey report. The meeting minutes indicate the article "created some unnecessary concerns" and "was based on old and incorrect information and the financial plan is solid." The minutes also state the plan is now at 83 percent funding and growing, and will be self-sufficient eventually. However, the plan funded ratio at that time was only 64 percent. The 83 percent was similarly cited in the August 2015 Finance Commission meeting minutes that quoted the City Administrator as saying "we are in very good standing with this pension fund." Furthermore, the city referenced the 83 percent in its "watch list" response to the JCPER.

The 83 percent figure was the "funded percentage," separately calculated by the actuary and included in the 2014 funding actuarial report based on projected liability calculations using current wages and did not take into account future wage increases. The funded percentage is not the funded ratio calculated assuming wage increases and commonly used to monitor the financial condition of public employee DB plans. The use of the funded percentage statistic has never been required by governmental accounting standards and is not monitored by the JCPER. This statistic is unrealistic because future wage increases for current employees are likely. Furthermore, the use of this statistic can be misleading and provide a false sense of security to stakeholders. City officials indicated they understood the difference between the calculated funded percentage and the actuarially determined funded ratio, but were unable to explain why the higher, less relevant statistic was cited in meeting minutes and reported to the JCPER rather than the plan's funded ratio.



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Conclusion

The GFOA¹⁵ recommends the plan's financial information included in the city's annual financial report be summarized and distributed to all plan participants. The GFOA best practice guide further recommends when contributions are below the actuarially determined rates, "the board of trustees should prepare a report that analyzes what effect the underfunding has on the system and distribute the report to all stakeholders." Without receiving adequate and accurate summarized financial information, key stakeholders may not be fully aware of the plan's financial condition and the fiscal impact of the city's contributions of less than actuarially determined amounts.

Recommendation

The City Council, as the plan's trustee, prepare and distribute reports summarizing plan financial information, including the impact of insufficient contributions on plan financial condition, to key stakeholders. In addition, the City Council should cite the plan's funded ratio, rather than the funded percentage statistic, in communications regarding plan financial condition.

Auditee's Response

The city has made available the plan information in the Comprehensive Annual Financial Report, posted on the city's website. Actuarial and budget documents are also made available and employees do receive annual benefit information. The city has made strides in correcting a downturn in funding and has seen the funded ratio increase in each of the last four years. The city will seek to develop a meaningful report to summarize the plan to stakeholders. The long-term nature of a pension plan allows for gradual improvement over time. This trend upward is what the plan is currently experiencing.

The funded percentage is a statistic used in the actuarial report and does not take into account future wage increases. Wage increases have been negligible due to low inflation and the plan being frozen to new hires in 2012. The funded ratio will be cited in the future, rather than the funded percentage as recommended.

Again, the recession of 2008 and the loss of population and revenue from the airport expansion had a major negative impact on the plan. The city is committed to reach full funding levels and believes that trend is moving in the right direction.

¹⁵ "Sustainable Funding Practices of Defined Benefit Pension Plans," Government Finance Officers Association, October 2009, <<http://www.gfoa.org/sustainable-funding-practices-defined-benefit-pension-plans>>, accessed on June 7, 2016, p. 2.

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Organization and Statistical Information

The City of Bridgeton Employees Retirement Plan (plan) was established by the City of Bridgeton, Missouri in 1971. The plan was created by local ordinance and is codified by Chapter 140 of the city's Code of Ordinances.

The plan is a single-employer, defined benefit retirement plan for employees of the City of Bridgeton hired before January 1, 2012. The plan provides retirement and death benefits to its members and survivors. Members are not required to make contributions to the plan.

Members are vested in the plan after 5 years of service. Any member who has attained the age of 60 and who has 5 or more years of creditable service may retire with full benefits. The retirement benefit is calculated at 2 percent of average annual earnings multiplied by the number of years of credited service. Average annual earnings are based on the highest consecutive 5 years of the member's last 10 years of service. A member may elect to retire at age 50 (age 45 for police employees) with reduced benefits if the member has 5 or more years of creditable service.

As of December 31, 2015, there were 106 active members, 120 retired members and beneficiaries, and 27 terminated-vested members. The plan was frozen to new employees as of January 1, 2012.

City Council and Key Plan Personnel

The plan is under the control and management of the City Council. Two City Council members are elected from each of the city's four wards and serve 2-year terms. The members of the City Council as of December 31, 2015, were:

Ferd Fetsch, Council President and Ward 3 Councilmember
Bob Saettele, Ward 1 Councilmember
Scott Zimmer, Ward 1 Councilmember
Linda Eaker, Ward 2 Councilmember
Jerry Grimmer, Ward 2 Councilmember
Randy Hein, Ward 3 Councilmember
Barbara Abram, Ward 4 Councilmember
Joni Norris, Ward 4 Councilmember

Terry Briggs was elected Mayor in April 2015, and serves a 4-year term. He replaced Conrad Bowers who served 28 years as Mayor. The city administrator and city finance officer oversee plan matters. Kevin Bookout has served as City Administrator since November 2015. He replaced Police Chief Donald Hood who served as City Administrator from September 2012 to November 2015. Dennis Rainey has served as Finance Officer since November 1988.

Plan Consultants

The City contracts with Aetna, Inc., for pension administration services; US Bancorp, for investment management services; Buck Consultants, for actuarial services; and RubinBrown, LLP, for auditing services.



City of Bridgeton Employees Retirement Plan
Funding and Governance
Organization and Statistical Information

Additional information regarding the plan's provisions and benefits, investments, financial activities, consultants, and actuarial valuations can be obtained by contacting the city directly at (314) 739-7500.



Office of Missouri State Auditor
Nicole Galloway, CPA

Summary of State and
Local Audit Findings -
Sunshine Law



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Summary of State and Local Audit Findings - Sunshine Law

Background	This report was compiled using audit reports issued by the State Auditor between July 2015 and June 2016. The objective of this report was to summarize recent audit issues and recommendations regarding the Sunshine Law, Chapter 610, RSMo, and other issues related to meeting minutes. Findings covering these topics were found in 16 audit reports.
Open Meetings	In 10 audit reports, there were findings related to open meetings. Formal meeting minutes were not prepared or maintained for some open meetings. Meeting minutes did not always include sufficient detail of matters discussed or actions taken, and many decisions were not adequately documented. Reasons for closing meetings, the specific section of law allowing for the closed meetings, and information on the vote to close the meeting were not always adequately documented. In some cases, meeting minutes were not always reviewed and approved timely.
Closed Meetings	In 10 audit reports, there were findings related to closed meetings. Minutes were not prepared or maintained for some closed meetings; and when prepared, the minutes did not always include sufficient details of discussions held and decisions made, and votes or final actions taken. The governing body did not always document why some issues discussed in closed meetings were allowable under state law and some issues discussed during closed meetings were not allowable. In addition, some topics discussed during closed meetings were other than the specific reasons cited for going into the closed meeting. Some governing bodies did not always make public in an open meeting the final disposition of applicable matters discussed in closed meetings.
Public Records	In 3 audit reports, there were findings related to public records and records requests. In some cases, adequate policies and procedures were not in place regarding public access to records or the policy was not in compliance with state law. In one audit, the entity did not respond timely to a public records request and a record was not maintained to document information requests received.
Meeting Agendas	In 4 audit reports, there were findings related to meeting agendas. In some cases, an agenda was not prepared, posted, and/or retained for all meetings or the agenda did not disclose sufficient information pertaining to the upcoming meeting.

Because of the nature of this report, no rating has been provided.

All reports are available on our Web site: auditor.mo.gov

Summary of State and Local Audit Findings - Sunshine Law

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NICOLE GALLOWAY, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Honorable Chris Koster, Attorney General
and
Members of the General Assembly
Jefferson City, Missouri

This report was compiled using audit reports issued between July 2015 and June 2016 (report numbers 2015-045 through 2015-135 and 2016-001 through 2016-042). The objective of this report was to summarize recent audit issues and recommendations regarding the Sunshine Law, Chapter 610, RSMo, and other issues related to meeting minutes.

The recommendations address a variety of topics including open and closed meetings, public records, and meeting agendas. Appendix A lists the 16 reports with findings covering these topics.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
Director of Audits: Douglas J. Porting, CPA, CFE
Audit Manager: John Lieser, CPA

Summary of State and Local Audit Findings - Sunshine Law

Management Advisory Report

State Auditor's Findings

1. Open Meetings

1.1 Preparation of meeting minutes

Formal meeting minutes were not prepared or maintained for some open meetings or could not be located by the official custodian of records of the governing body. In addition, minutes and records of meetings of affiliated boards, committees, and commissions were not always prepared.

Section 610.020, RSMo, provides that minutes of open meetings shall be taken and retained by the public governmental body.

Recommendation

Ensure minutes are prepared and retained to support all open meetings, including affiliated boards, committees, and commissions, and copies are maintained by the official custodian of records of the governing body.

Report source

2015-045 (Children's Trust Fund Board)
2015-060 (City of Joplin)
2015-102 (Village of Luray)
2015-116 (Village of Leasburg)

1.2 Detail in meeting minutes

Meeting minutes did not always include sufficient detail of matters discussed or actions taken, and many decisions were not adequately documented in the meeting minutes.

Section 610.020, RSMo, requires minutes of meetings include the date, time, place, members present, members absent, and a record of votes taken.

Recommendation

Ensure meeting minutes include adequate detail of the issues discussed and the decisions made.

Report source

2015-064 (Supreme Court of Missouri)
2015-116 (Village of Leasburg)
2015-130 (Goodman Area Fire Protection District)

1.3 Reasons for closing meetings

Reasons for closing meetings, the specific section of law that allows for the closed meetings, and the vote to close the meetings were not adequately documented within the open meeting minutes.

Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on during an open meeting.

Recommendation

Ensure the vote to close a meeting is documented in the open meeting minutes, along with the reason for closing the meeting and the specific section of law allowing the meeting to be closed.



Summary of State and Local Audit Findings - Sunshine Law Organization and Statistical Information

Report source	2015-100 (Warren County)
	2016-021 (Marion County)
	2016-035 (Oregon County)

1.4 Approval of minutes Meeting minutes were not always reviewed and approved timely.

Section 610.020, RSMo, states minutes of all meetings shall be taken and retained. To ensure all decisions are properly documented and minutes are properly maintained, all minutes should be reviewed and approved timely.

Recommendation Ensure meeting minutes are properly and timely reviewed and approved for all meetings.

Report source	2015-064 (Supreme Court of Missouri)
	2015-102 (Village of Luray)
	2015-124 (Division of Professional Registration - State Board of Registration for the Healing Arts)
	2015-130 (Goodman Area Fire Protection District)

2. Closed Meetings

2.1 Preparation of meeting minutes Minutes were not prepared or maintained for some closed meetings.

Section 610.020, RSMo, provides that minutes of closed meetings shall be taken and retained by the public governmental body.

Recommendation Ensure minutes are prepared and retained to support all closed meetings.

Report source	2015-060 (City of Joplin)
	2015-079 (Grundy County)
	2015-116 (Village of Leasburg)
	2015-121 (Missouri State Fair)

2.2 Detail in meeting minutes Closed meeting minutes did not include sufficient details of discussions held and decisions made, and votes or final actions, if any, taken by the governing body during closed meetings.

Such documentation is important to both demonstrate compliance with statutory provisions and provide information for future reference should concerns or questions be raised regarding topics addressed in closed meetings. Sections 610.020 and 610.021, RSMo, provide requirements regarding closure of meetings and documentation.

Recommendation Ensure closed meeting minutes include the information necessary to provide a complete record of all significant matters discussed and actions taken.



Summary of State and Local Audit Findings - Sunshine Law Organization and Statistical Information

Report source 2015-100 (Warren County)
 2015-129 (Public Service Commission)

2.3 Allowable topics

The governing body did not document how some issues discussed in closed meetings were allowable under state law and some issues discussed during closed meetings were not allowable.

Chapter 610.021, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting.

Recommendation

Ensure items discussed in closed meetings are allowed by state law.

Report source 2015-048 (City of Kimberling)
 2015-060 (City of Joplin)
 2015-100 (Warren County)
 2015-116 (Village of Leasburg)
 2015-133 (Henry County)
 2016-021 (Marion County)

2.4 Topics discussed

Some topics discussed during closed meetings were other than the specific reasons cited for going into the closed meeting.

Section 610.022, RSMo, requires a closed meeting, record, or vote to be held only for the specific reasons announced publicly at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the meeting that differs from the specific reason used to justify such meeting, record, or vote.

Recommendation

Limit issues discussed in closed meetings to only those specific reasons cited to justify the closed meeting.

Report source 2015-133 (Henry County)

2.5 Publication of final disposition

Some governing bodies did not always make public in an open meeting the final disposition of applicable matters discussed in closed meetings.

Section 610.011, RSMo, provides that meetings, records, votes, actions, and deliberations of public governmental bodies be open to the public unless otherwise provided by law. Making public in an open meeting the final disposition of matters discussed in closed meetings would provide for transparency and openness regarding these matters.

Recommendation

Make public in an open meeting the final disposition of matters discussed in closed meetings.



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Report source 2015-048 (City of Kimberling)
 2015-104 (Department of Conservation)

3. Public Records

3.1 Public access policy The government did not have adequate policies and procedures regarding public access to records or the policy was not in compliance with state law.

Section 610.026, RSMo, describes the allowable fees for copying public records, and Section 610.023, RSMo, lists requirements of making records available to the public.

Recommendation Establish adequate written policies and procedures regarding public access to and/or copies of records to ensure compliance with state law.

Report source 2015-102 (Village of Luray)
 2015-133 (Henry County)

3.2 Documentation of requests for records The government did not timely respond to public record requests or maintain a record documenting information requests received; therefore, the proper handling of any Sunshine Law information requests could not be determined.

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received.

Recommendation Respond timely to requests for information and maintain a public request log to help ensure compliance with state law.

Report source 2015-048 (City of Kimberling)

4. Meeting Agendas

A tentative agenda was not prepared, posted, and/or retained for all meetings or the agenda did not disclose sufficient information pertaining to the upcoming meeting.

Section 610.020, RSMo, requires public entities to give notice of the time, date, and place of each meeting, and its tentative agenda, to advise the public of matters to be considered. The notice shall be given at least 24 hours prior to the meeting.

Recommendation Ensure proper notification and agendas for public meetings are given and sufficiently detailed or reasons for any deviation are documented in the meeting minutes in accordance with state law.



Summary of State and Local Audit Findings - Sunshine Law Organization and Statistical Information

Report source	2015-060	(City of Joplin)
	2015-116	(Village of Leasburg)
	2016-021	(Marion County)
	2016-035	(Oregon County)

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Appendix A

Audit Reports

Report Number	Title	Publication Date
2015-045	Children's Trust Fund Board	July 2015
2015-048	City of Kimberling	July 2015
2015-060	City of Joplin	August 2015
2015-064	Supreme Court of Missouri	August 2015
2015-079	Grundy County	September 2015
2015-100	Warren County	November 2015
2015-102	Village of Luray	November 2015
2015-104	Department of Conservation	November 2015
2015-116	Village of Leasburg	November 2015
2015-121	Missouri State Fair	December 2015
2015-124	Division of Professional Registration - State Board of Registration for the Healing Arts	December 2015
2015-129	Public Service Commission	December 2015
2015-130	Goodman Area Fire Protection District	December 2015
2015-133	Henry County	December 2015
2016-021	Marion County	April 2016
2016-035	Oregon County	June 2016

Summary of State and Local Audit Findings - Sunshine Law

Appendix B

Chapter 610 Governmental Bodies and Records

Notice of meetings, when required--recording of meetings to be allowed, guidelines, penalty--accessibility of meetings--minutes of meetings to be kept, content--voting records to be included

610.020. 1. All public governmental bodies shall give notice of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to advise the public of the matters to be considered, and if the meeting will be conducted by telephone or other electronic means, the notice of the meeting shall identify the mode by which the meeting will be conducted and the designated location where the public may observe and attend the meeting. If a public body plans to meet by internet chat, internet message board, or other computer link, it shall post a notice of the meeting on its website in addition to its principal office and shall notify the public how to access that meeting. Reasonable notice shall include making available copies of the notice to any representative of the news media who requests notice of meetings of a particular public governmental body concurrent with the notice being made available to the members of the particular governmental body and posting the notice on a bulletin board or other prominent place which is easily accessible to the public and clearly designated for that purpose at the principal office of the body holding the meeting, or if no such office exists, at the building in which the meeting is to be held.

2. Notice conforming with all of the requirements of subsection 1 of this section shall be given at least twenty-four hours, exclusive of weekends and holidays when the facility is closed, prior to the commencement of any meeting of a governmental body unless for good cause such notice is impossible or impractical, in which case as much notice as is reasonably possible shall be given. Each meeting shall be held at a place reasonably accessible to the public and of sufficient size to accommodate the anticipated attendance by members of the public, and at a time reasonably convenient to the public, unless for good cause such a place or time is impossible or impractical. Every reasonable effort shall be made to grant special access to the meeting to handicapped or disabled individuals.

3. A public body shall allow for the recording by audiotape, videotape, or other electronic means of any open meeting. A public body may establish guidelines regarding the manner in which such recording is conducted so as to minimize disruption to the meeting. No audio recording of any meeting, record, or vote closed pursuant to the provisions of section 610.021 shall be permitted without permission of the public body; any person who violates this provision shall be guilty of a class C misdemeanor.

4. When it is necessary to hold a meeting on less than twenty-four hours' notice, or at a place that is not reasonably accessible to the public, or at a time that is not reasonably convenient to the public, the nature of the good cause justifying that departure from the normal requirements shall be stated in the minutes.



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5. A formally constituted subunit of a parent governmental body may conduct a meeting without notice as required by this section during a lawful meeting of the parent governmental body, a recess in that meeting, or immediately following that meeting, if the meeting of the subunit is publicly announced at the parent meeting and the subject of the meeting reasonably coincides with the subjects discussed or acted upon by the parent governmental body.

6. If another provision of law requires a manner of giving specific notice of a meeting, hearing or an intent to take action by a governmental body, compliance with that section shall constitute compliance with the notice requirements of this section.

7. A journal or minutes of open and closed meetings shall be taken and retained by the public governmental body, including, but not limited to, a record of any votes taken at such meeting. The minutes shall include the date, time, place, members present, members absent and a record of any votes taken. When a roll call vote is taken, the minutes shall attribute each "yea" and "nay" vote or abstinence if not voting to the name of the individual member of the public governmental body.

**Closed meetings and
closed records authorized
when, exceptions**

610.021. Except to the extent disclosure is otherwise required by law, a public governmental body is authorized to close meetings, records and votes, to the extent they relate to the following:

(1) Legal actions, causes of action or litigation involving a public governmental body and any confidential or privileged communications between a public governmental body or its representatives and its attorneys. However, any minutes, vote or settlement agreement relating to legal actions, causes of action or litigation involving a public governmental body or any agent or entity representing its interests or acting on its behalf or with its authority, including any insurance company acting on behalf of a public government body as its insured, shall be made public upon final disposition of the matter voted upon or upon the signing by the parties of the settlement agreement, unless, prior to final disposition, the settlement agreement is ordered closed by a court after a written finding that the adverse impact to a plaintiff or plaintiffs to the action clearly outweighs the public policy considerations of section 610.011, however, the amount of any moneys paid by, or on behalf of, the public governmental body shall be disclosed; provided, however, in matters involving the exercise of the power of eminent domain, the vote shall be announced or become public immediately following the action on the motion to authorize institution of such a legal action. Legal work product shall be considered a closed record;

(2) Leasing, purchase or sale of real estate by a public governmental body where public knowledge of the transaction might adversely affect the legal



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consideration therefor. However, any minutes, vote or public record approving a contract relating to the leasing, purchase or sale of real estate by a public governmental body shall be made public upon execution of the lease, purchase or sale of the real estate;

(3) Hiring, firing, disciplining or promoting of particular employees by a public governmental body when personal information about the employee is discussed or recorded. However, any vote on a final decision, when taken by a public governmental body, to hire, fire, promote or discipline an employee of a public governmental body shall be made available with a record of how each member voted to the public within seventy-two hours of the close of the meeting where such action occurs; provided, however, that any employee so affected shall be entitled to prompt notice of such decision during the seventy-two-hour period before such decision is made available to the public. As used in this subdivision, the term "personal information" means information relating to the performance or merit of individual employees;

(4) The state militia or national guard or any part thereof;

(5) Nonjudicial mental or physical health proceedings involving identifiable persons, including medical, psychiatric, psychological, or alcoholism or drug dependency diagnosis or treatment;

(6) Scholastic probation, expulsion, or graduation of identifiable individuals, including records of individual test or examination scores; however, personally identifiable student records maintained by public educational institutions shall be open for inspection by the parents, guardian or other custodian of students under the age of eighteen years and by the parents, guardian or other custodian and the student if the student is over the age of eighteen years;

(7) Testing and examination materials, before the test or examination is given or, if it is to be given again, before so given again;

(8) Welfare cases of identifiable individuals;

(9) Preparation, including any discussions or work product, on behalf of a public governmental body or its representatives for negotiations with employee groups;

(10) Software codes for electronic data processing and documentation thereof;



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- (11) Specifications for competitive bidding, until either the specifications are officially approved by the public governmental body or the specifications are published for bid;
- (12) Sealed bids and related documents, until the bids are opened; and sealed proposals and related documents or any documents related to a negotiated contract until a contract is executed, or all proposals are rejected;
- (13) Individually identifiable personnel records, performance ratings or records pertaining to employees or applicants for employment, except that this exemption shall not apply to the names, positions, salaries and lengths of service of officers and employees of public agencies once they are employed as such, and the names of private sources donating or contributing money to the salary of a chancellor or president at all public colleges and universities in the state of Missouri and the amount of money contributed by the source;
- (14) Records which are protected from disclosure by law;
- (15) Meetings and public records relating to scientific and technological innovations in which the owner has a proprietary interest;
- (16) Records relating to municipal hotlines established for the reporting of abuse and wrongdoing;
- (17) Confidential or privileged communications between a public governmental body and its auditor, including all auditor work product; however, all final audit reports issued by the auditor are to be considered open records pursuant to this chapter;
- (18) Operational guidelines, policies and specific response plans developed, adopted, or maintained by any public agency responsible for law enforcement, public safety, first response, or public health for use in responding to or preventing any critical incident which is or appears to be terrorist in nature and which has the potential to endanger individual or public safety or health. Financial records related to the procurement of or expenditures relating to operational guidelines, policies or plans purchased with public funds shall be open. When seeking to close information pursuant to this exception, the public governmental body shall affirmatively state in writing that disclosure would impair the public governmental body's ability to protect the security or safety of persons or real property, and shall in the same writing state that the public interest in nondisclosure outweighs the public interest in disclosure of the records;
- (19) Existing or proposed security systems and structural plans of real property owned or leased by a public governmental body, and information



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that is voluntarily submitted by a nonpublic entity owning or operating an infrastructure to any public governmental body for use by that body to devise plans for protection of that infrastructure, the public disclosure of which would threaten public safety:

(a) Records related to the procurement of or expenditures relating to security systems purchased with public funds shall be open;

(b) When seeking to close information pursuant to this exception, the public governmental body shall affirmatively state in writing that disclosure would impair the public governmental body's ability to protect the security or safety of persons or real property, and shall in the same writing state that the public interest in nondisclosure outweighs the public interest in disclosure of the records;

(c) Records that are voluntarily submitted by a nonpublic entity shall be reviewed by the receiving agency within ninety days of submission to determine if retention of the document is necessary in furtherance of a state security interest. If retention is not necessary, the documents shall be returned to the nonpublic governmental body or destroyed;

(20) The portion of a record that identifies security systems or access codes or authorization codes for security systems of real property;

(21) Records that identify the configuration of components or the operation of a computer, computer system, computer network, or telecommunications network, and would allow unauthorized access to or unlawful disruption of a computer, computer system, computer network, or telecommunications network of a public governmental body. This exception shall not be used to limit or deny access to otherwise public records in a file, document, data file or database containing public records. Records related to the procurement of or expenditures relating to such computer, computer system, computer network, or telecommunications network, including the amount of moneys paid by, or on behalf of, a public governmental body for such computer, computer system, computer network, or telecommunications network shall be open;

(22) Credit card numbers, personal identification numbers, digital certificates, physical and virtual keys, access codes or authorization codes that are used to protect the security of electronic transactions between a public governmental body and a person or entity doing business with a public governmental body. Nothing in this section shall be deemed to close the record of a person or entity using a credit card held in the name of a public governmental body or any record of a transaction made by a person using a credit card or other method of payment for which reimbursement is made by a public governmental body; and



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(23) Records submitted by an individual, corporation, or other business entity to a public institution of higher education in connection with a proposal to license intellectual property or perform sponsored research and which contains sales projections or other business plan information the disclosure of which may endanger the competitiveness of a business.

**Closed meetings, procedure
and limitation--public
records presumed open
unless exempt--objections
to closing meetings or
records, procedure**

610.022. 1. Except as set forth in subsection 2 of this section, no meeting or vote may be closed without an affirmative public vote of the majority of a quorum of the public governmental body. The vote of each member of the public governmental body on the question of closing a public meeting or vote and the specific reason for closing that public meeting or vote by reference to a specific section of this chapter shall be announced publicly at an open meeting of the governmental body and entered into the minutes.

2. A public governmental body proposing to hold a closed meeting or vote shall give notice of the time, date and place of such closed meeting or vote and the reason for holding it by reference to the specific exception allowed pursuant to the provisions of section 610.021. Such notice shall comply with the procedures set forth in section 610.020 for notice of a public meeting.

3. Any meeting or vote closed pursuant to section 610.021 shall be closed only to the extent necessary for the specific reason announced to justify the closed meeting or vote. Public governmental bodies shall not discuss any business in a closed meeting, record or vote which does not directly relate to the specific reason announced to justify the closed meeting or vote. Public governmental bodies holding a closed meeting shall close only an existing portion of the meeting facility necessary to house the members of the public governmental body in the closed session, allowing members of the public to remain to attend any subsequent open session held by the public governmental body following the closed session.

4. Nothing in sections 610.010 to 610.028 shall be construed as to require a public governmental body to hold a closed meeting, record or vote to discuss or act upon any matter.

5. Public records shall be presumed to be open unless otherwise exempt pursuant to the provisions of this chapter.

6. In the event any member of a public governmental body makes a motion to close a meeting, or a record, or a vote from the public and any other member believes that such motion, if passed, would cause a meeting, record or vote to be closed from the public in violation of any provision in this chapter, such latter member shall state his or her objection to the motion at or before the time the vote is taken on the motion. The public governmental body shall enter in the minutes of the public governmental body any objection made pursuant to this subsection. Any member making such an



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objection shall be allowed to fully participate in any meeting, record or vote that is closed from the public over the member's objection. In the event the objecting member also voted in opposition to the motion to close the meeting, record or vote at issue, the objection and vote of the member as entered in the minutes shall be an absolute defense to any claim filed against the objecting member pursuant to section 610.027.

Records of governmental bodies to be in care of custodian, duties--records may be copied but not removed, exception, procedure--denial of access, procedure

610.023. 1. Each public governmental body is to appoint a custodian who is to be responsible for the maintenance of that body's records. The identity and location of a public governmental body's custodian is to be made available upon request.

2. Each public governmental body shall make available for inspection and copying by the public of that body's public records. No person shall remove original public records from the office of a public governmental body or its custodian without written permission of the designated custodian. No public governmental body shall, after August 28, 1998, grant to any person or entity, whether by contract, license or otherwise, the exclusive right to access and disseminate any public record unless the granting of such right is necessary to facilitate coordination with, or uniformity among, industry regulators having similar authority.

3. Each request for access to a public record shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request is received by the custodian of records of a public governmental body. If records are requested in a certain format, the public body shall provide the records in the requested format, if such format is available. If access to the public record is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection. This period for document production may exceed three days for reasonable cause.

4. If a request for access is denied, the custodian shall provide, upon request, a written statement of the grounds for such denial. Such statement shall cite the specific provision of law under which access is denied and shall be furnished to the requester no later than the end of the third business day following the date that the request for the statement is received.

Electronic transmission of messages relating to public business, requirements

610.025. Any member of a public governmental body who transmits any message relating to public business by electronic means shall also concurrently transmit that message to either the member's public office computer or the custodian of records in the same format. The provisions of this section shall only apply to messages sent to two or more members of that body so that, when counting the sender, a majority of the body's members are copied. Any such message received by the custodian or at the



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member's office computer shall be a public record subject to the exceptions of section 610.021.

Fees for copying public records, limitations--fee money remitted to whom--tax, license or fee as used in Missouri Constitution article X, section 22, not to include copying fees

610.026. 1. Except as otherwise provided by law, each public governmental body shall provide access to and, upon request, furnish copies of public records subject to the following:

(1) Fees for copying public records, except those records restricted under section 32.091, shall not exceed ten cents per page for a paper copy not larger than nine by fourteen inches, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body. Research time required for fulfilling records requests may be charged at the actual cost of research time. Based on the scope of the request, the public governmental body shall produce the copies using employees of the body that result in the lowest amount of charges for search, research, and duplication time. Prior to producing copies of the requested records, the person requesting the records may request the public governmental body to provide an estimate of the cost to the person requesting the records. Documents may be furnished without charge or at a reduced charge when the public governmental body determines that waiver or reduction of the fee is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the public governmental body and is not primarily in the commercial interest of the requester;

(2) Fees for providing access to public records maintained on computer facilities, recording tapes or disks, videotapes or films, pictures, maps, slides, graphics, illustrations or similar audio or visual items or devices, and for paper copies larger than nine by fourteen inches shall include only the cost of copies, staff time, which shall not exceed the average hourly rate of pay for staff of the public governmental body required for making copies and programming, if necessary, and the cost of the disk, tape, or other medium used for the duplication. Fees for maps, blueprints, or plats that require special expertise to duplicate may include the actual rate of compensation for the trained personnel required to duplicate such maps, blueprints, or plats. If programming is required beyond the customary and usual level to comply with a request for records or information, the fees for compliance may include the actual costs of such programming.

2. Payment of such copying fees may be requested prior to the making of copies.

3. Except as otherwise provided by law, each public governmental body of the state shall remit all moneys received by or for it from fees charged pursuant to this section to the director of revenue for deposit to the general revenue fund of the state.



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4. Except as otherwise provided by law, each public governmental body of a political subdivision of the state shall remit all moneys received by it or for it from fees charged pursuant to sections 610.010 to 610.028 to the appropriate fiscal officer of such political subdivision for deposit to the governmental body's accounts.

5. The term "tax, license or fees" as used in section 22 of article X of the Constitution of the state of Missouri does not include copying charges and related fees that do not exceed the level necessary to pay or to continue to pay the costs for providing a service, program, or activity which was in existence on November 4, 1980, or which was approved by a vote of the people subsequent to November 4, 1980.



Office of Missouri State Auditor
Nicole Galloway, CPA

Carroll County



CITIZENS SUMMARY

Findings in the audit of Carroll County

Background	Carroll County is a township-organized, third-class county. Carroll County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. County operations also include a Senate Bill 40 Board. The townships maintain county roads.
Findings	The audit identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures. No findings resulted from our audit.

In the areas audited, the overall performance of this entity was **Excellent**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Carroll County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Carroll County

We have audited certain operations of Carroll County in fulfillment of our duties under Section 29.230, RSMo. In addition, Beard-Boehmer & Associates, PC, Certified Public Accountants, was engaged to audit the financial statements of Carroll County for the year ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

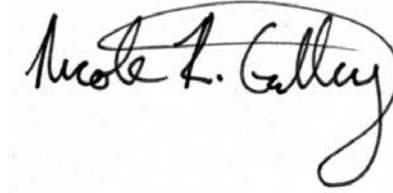
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, and other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures.

No findings resulted from our audit of Carroll County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Rex Murdock, M.S.Acct.
Audit Staff:	Lisa Schlup
	Nancy McDowell

Carroll County

Organization and Statistical Information

Carroll County is a township-organized, third-class county. The county seat is Carrollton.

Carroll County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 35 full-time employees (including elected officials) and 5 part-time employees on December 31, 2015. The townships maintain county roads.

In addition, county operations include a Senate Bill 40 Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Nelson Heil, Presiding Commissioner	\$	35,583
Bill Boelsen, Associate Commissioner		33,583
David Martin, Associate Commissioner		33,583
Cheryl A. Mansur, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Peggy McGaugh, County Clerk		50,884
Cassandra Brown, Prosecuting Attorney		55,695
Troy Hofstetter, Sheriff		54,077
Steven W. Bittiker, County Coroner		14,730
Linda Leabo, Public Administrator		41,500
Alta M. O'Neal, County Collector-Treasurer, year ended March 31,	50,884	
Devin Rae Frazier, County Assessor, year ended August 31,		50,884
Marcus J. Magee, County Surveyor (2)		

(1) Compensation is paid by the state.

(2) Compensation on a fee basis.



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Dunklin County Public Administrator

Dunklin County Public Administrator

Follow-Up Report on Audit Findings

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Public Administrator of Dunklin County

We have conducted follow-up work on audit report findings contained in Report No. 2016-013, *Dunklin County Public Administrator* (rated as Poor), issued in March 2016, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the official about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the Public Administrator's office and court officials, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by the Public Administrator and held discussions with the Public Administrator, his staff, and court officials to verify the status of implementation for the recommendations. Documentation provided by the Public Administrator included ward annual settlements, ward receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during September 2016.

Nicole R. Galloway, CPA
State Auditor

Dunklin County Public Administrator

Follow-Up Report on Audit Findings

Status of Findings

1. Gift Cards

The Public Administrator made improper purchases totaling \$250 on a gift card purchased with ward monies, and purchases made on other ward gift cards totaling at least \$550 did not appear to be made by, or on behalf of, the wards. The Public Administrator could not provide documentation showing gift cards purchased on behalf of wards had been delivered to the wards.

Based on the results of our audit, and a subsequent investigation by law enforcement officials, the Public Administrator entered into a deferred prosecution agreement with the Attorney General's Office. The terms of the deferred prosecution agreement included, but were not limited to, reimbursing the applicable ward accounts for the \$800 in questionable purchases and resigning her position as Public Administrator.

Recommendation

The Associate Circuit Judge work with the new Public Administrator to ensure no other discrepancies exist. In addition, the Public Administrator should discontinue the use of gift cards and prepaid debit cards.

Status

In Progress

Shawnee Trowbridge was the Dunklin County Public Administrator during the audit period. She resigned on March 2, 2016. A successor, Matt Jackson, was appointed as Public Administrator effective April 1, 2016. Starting in 2015 the priority of the Public Administrator's office has been to prepare and file ward annual settlements that had not been filed timely in prior years. During that process the Public Administrator's office and the Circuit Court, Probate Division ensured no discrepancies exist in the files for the time periods covered by the annual settlements. As of September 2016, annual settlement filings are up to date.

Beginning in October 2016, when preparing annual settlements the Public Administrator plans to review each ward's current records, as well as records related to periods prior to the most recent annual settlement filed to ensure there are no other discrepancies similar to those identified in the audit report. The Public Administrator plans to review older records of all current wards within the next 12 months.

The practice of purchasing gift cards and prepaid debit cards with ward monies was discontinued in December 2014. The Judge issued a court order in June 2015 to formalize this policy.

2. Disbursements

The Public Administrator did not retain adequate supporting documentation for some disbursements from ward bank accounts. Adequate supporting documentation was not available, as follows:



Dunklin County Public Administrator
Follow-up Report on Audit Findings
Status of Findings

- The Public Administrator issued checks from ward accounts to Walmart; however, she did not retain documentation to support all payments.
- The annual settlements reviewed showed the Public Administrator issued monthly personal allowance checks to some wards. In addition, the Public Administrator stated she sometimes purchased gift cards to provide additional allowances to wards. The documentation to support these checks and gift cards was not sufficient and the wards did not sign a receipt indicating monies had been received from the Public Administrator.

Recommendation

The Public Administrator ensure disbursements are supported by adequate documentation.

Status

Implemented

We chose 4 wards and reviewed all disbursements listed on their most recent annual settlements. All disbursements were supported by adequate documentation. All personal allowance monies were issued by checks made payable to the ward. Wards that pick up their personal allowance checks now sign an acknowledgement form indicating receipt of the monies. Wards that have personal allowance checks mailed to them also receive an acknowledgement form, which they sign and return to the Public Administrator's office. For wards residing in residential facilities, the Public Administrator reviews the monthly statements he receives from the facilities to ensure they properly applied allowance checks to the ward's account.

3. Medicaid Eligibility

The Public Administrator did not always report assets accurately on the Medicaid eligibility review form to help wards retain Medicaid eligibility. According to the Public Administrator, gift cards were sometimes purchased for future expenses so a ward's assets remained below Medicaid eligibility limits. These gift card purchases were in addition to the normal ward allowances and were not in lieu of such allowances. Four Medicaid eligibility forms reviewed had differences between reported asset balances and actual assets available.

Recommendation

The Public Administrator report accurate asset information for wards to the Department of Social Services (DSS), Family Support Division. Additionally, the Public Administrator should contact the DSS, Family Support Division to determine whether any monies are due to the state.

Status

In Progress

The Public Administrator's office has discontinued the practice of purchasing gift cards to reduce ward assets reported for Medicaid eligibility



Dunklin County Public Administrator
Follow-up Report on Audit Findings
Status of Findings

purposes. The Public Administrator stated Medicaid eligibility forms prepared in the last year have accurately reported ward assets. Beginning in October 2016, the Public Administrator plans to review each ward's physical asset listing during on-site visits to wards' homes/residential living facilities to ensure all asset information is correctly reported in the Public Administrator's records.

The Public Administrator stated he will contact the DSS, Family Support Division in October 2016 regarding the wards whose information was reviewed during the audit to determine whether any monies are due to the state. Additionally, when preparing annual settlements, the office will review past Medicaid eligibility records to determine if any other ward asset records were reported inaccurately. If additional discrepancies are identified, the Public Administrator will notify the DSS, Family Support Division.

4. Annual Settlements

The Public Administrator did not always file annual settlements timely in compliance with state law, and some assets purchased during the annual settlement period did not appear on the ending inventory section of the annual settlement.

Our review noted 13 annual settlements were filed after the due date and 5 annual settlements were not filed for a 12 month (annual) period, as required. In addition, the assets included in 3 annual settlements were not accurate, and supporting documentation for disbursements, such as invoices, vouchers, bank statements, or canceled checks, are not filed with the Circuit Court, Probate Division, when filing annual settlements.

The Circuit Court, Probate Division, review of annual settlements filed by the Public Administrator did not detect any of the issues identified in this finding. In addition, the Circuit Court, Probate Division, did not have a system in place to monitor and ensure timely filing of settlements, nor did it follow up on annual settlements not filed by the required date.

Recommendation

The Public Administrator ensure annual settlements are complete and accurate, and filed timely with supporting documentation. In addition, the Circuit Court, Probate Division, should notify the Public Administrator of annual settlement deadlines timely, follow up on settlements not filed by the required date, and review the settlements appropriately.

Status

Implemented

We reviewed the records of 4 wards and noted each had annual settlements filed timely for 2015 and 2016 activity and each settlement was for a 12-month period. The Public Administrator now provides the Circuit Court, Probate Division all bank statements, bank reconciliations, and support for



Dunklin County Public Administrator
Follow-up Report on Audit Findings
Status of Findings

disbursements when filing an annual settlement with the court. These documents are reviewed by the Probate Clerk before they are provided to the Associate Circuit Judge for a final review. The Probate Clerk generates a monthly report of annual settlement filings due in the next month and provides the report to the Public Administrator to help ensure timely filing of annual settlements. The Public Administrator stated all annual settlements are prepared for a 12-month period.

In addition, the Public Administrator or a member of his staff have visited wards for which there was a known problem (such as a specific issue noted in the audit report or a concern from a ward's family), and updated the asset listings accordingly. Beginning in October 2016, the Public Administrator or his staff plan to visit all wards to ensure asset listings are accurate.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Cedar County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Cedar County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, LLC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

October 2016
Report No. 2016-111

ANNUAL FINANCIAL REPORT

CEDAR COUNTY, MISSOURI

For the Years Ended
December 31, 2015 and 2014

CEDAR COUNTY, MISSOURI

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INTRODUCTORY SECTION

CEDAR COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Marlon Collins

Northern Commissioner – Don Boultinghouse

Southern Commissioner – John A. Fox

Other Elected Officials

Assessor – Chad Pyle

Circuit Clerk – Melinda Gumm

Collector – Joan Haines

Coroner – C.W. Neale

County Clerk – Peggy Kenney

Prosecuting Attorney – Ty Gaither

Public Administrator – Charlotte Haden

Recorder – Carole Wilkerson

Sheriff – D. Leon Dwerlkotte

Treasurer – Ronnie Miller

FINANCIAL SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Cedar County, Missouri

We have audited the accompanying financial statements of Cedar County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as identified in the table of contents.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Cedar County, Missouri on the basis of the financial reporting provisions prescribed or permitted by Missouri Law, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between these regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Cedar County, Missouri, as of December 31, 2015 and 2014, or the changes in its financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of each fund of Cedar County, Missouri, as of December 31, 2015 and 2014, and their respective cash receipts and disbursements, and budgetary results for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated August 4, 2016, on our consideration of Cedar County, Missouri’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
August 4, 2016

CEDAR COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2014 AND 2015

Fund	Cash and Cash Equivalents	Receipts	Disbursements	Cash and Cash Equivalents	Receipts	Disbursements	Cash and Cash Equivalents
	January 1, 2014	2014	2014	December 31, 2014	2015	2015	December 31, 2015
General Revenue	\$ 1,652,997	\$ 1,341,913	\$ 2,453,289	541,621	\$ 1,191,089	\$ 1,641,922	\$ 90,788
Special Road & Bridge	448	1,061,824	1,051,752	10,520	781,714	654,977	137,257
Assessment	92,144	152,053	184,546	59,651	162,893	175,570	46,974
Law Enforcement Sales Tax	(116,081)	928,979	803,700	9,198	918,773	864,267	63,704
Prosecuting Attorney Training	336	405	502	239	392	191	440
Law Enforcement Training	1,176	2,597	3,456	317	8,877	6,419	2,775
Prosecuting Attorney Bad Check	2,427	7,006	8,972	461	8,166	5,139	3,488
DARE	2,727	1,010	160	3,577	100	614	3,063
Local Emergency Preparedness Commission	3,163	-	42	3,121	-	-	3,121
Recorder Technology	14,363	3,100	5,984	11,479	6,553	7,403	10,629
Recorder Preservation	9,526	5,066	8,331	6,261	4,976	5,204	6,033
HAVA	773	60	-	833	30	-	863
Election Service	31,438	22,227	5,470	48,195	18,445	25,294	41,346
Prosecuting Attorney Delinquent Tax	1,082	275	1,082	275	85	-	360
Senior Service Tax	68,777	77,302	81,117	64,962	82,086	78,190	68,858
County Law Enforcement Restitution	5,448	1,075	3,195	3,328	7,754	4,308	6,774
Sheriff Revolving	3,178	13,278	2,120	14,336	23,181	17,068	20,449
Collector Tax Maintenance	51,700	20,785	20,679	51,806	21,667	35,820	37,653
Public Administrator Emergency	1,000	1,557	1,807	750	1,089	519	1,320
DOJ Equitable Sharing	4,158	1,625	3,003	2,780	7	-	2,787
Jail	-	1,292,551	1,292,551	-	719,408	719,408	-
EMSALG	19	-	-	19	-	-	19
CDBG	-	27,500	27,500	-	6,669	2,500	4,169
Crime Victim Advocate	(986)	986	-	-	-	-	-
Inmate Security	1,269	14,079	4,074	11,274	29,587	17,638	23,223
Sheriff Civil	2,001	9,257	-	11,258	9,356	2,000	18,614
Web-GIS	-	-	-	-	2,250	-	2,250
Total	<u>\$ 1,833,083</u>	<u>\$ 4,986,510</u>	<u>\$ 5,963,332</u>	<u>\$ 856,261</u>	<u>\$ 4,005,147</u>	<u>\$ 4,264,451</u>	<u>\$ 596,957</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

		GENERAL REVENUE FUND			
		Year Ended December 31,			
		2014		2015	
		Budget	Actual	Budget	Actual
RECEIPTS					
Property taxes	\$	350,000	\$ 243,867	\$ 380,000	\$ 264,852
Sales taxes		450,000	495,323	495,000	511,995
Intergovernmental		112,395	188,169	111,100	75,029
Charges for services		158,500	274,428	150,200	285,001
Interest		20,000	3,773	1,500	1,829
Other		69,375	47,328	76,650	50,237
Transfers in		-	89,025	-	2,146
Total Receipts	\$	<u>1,160,270</u>	<u>\$ 1,341,913</u>	<u>\$ 1,214,450</u>	<u>\$ 1,191,089</u>
DISBURSEMENTS					
County Commission	\$	87,480	\$ 85,342	\$ 86,280	\$ 85,874
County Clerk		113,000	112,969	113,000	112,577
Elections		75,300	55,558	26,560	24,659
Buildings and grounds		65,500	61,930	65,500	52,923
Employee fringe benefits		158,500	140,800	159,500	156,535
Treasurer		43,393	43,409	43,900	43,900
Collector		84,050	80,984	81,500	76,484
Recorder of Deeds		63,710	61,973	63,965	63,099
Public Administrator		47,400	46,880	25,150	48,404
Health / Welfare		11,342	11,342	12,000	11,342
Debt service		-	172	47,400	-
Other County Government		479,981	526,666	467,279	495,642
Transfers out		747,497	1,225,264	140,000	470,483
Emergency fund		34,809	-	36,434	-
Total Disbursements	\$	<u>2,011,962</u>	<u>\$ 2,453,289</u>	<u>\$ 1,368,468</u>	<u>\$ 1,641,922</u>
RECEIPTS OVER (UNDER)					
DISBURSEMENTS	\$	(851,692)	\$ (1,111,376)	\$ (154,018)	\$ (450,833)
CASH and CASH EQUIVALENTS, JANUARY 1		<u>1,652,997</u>	<u>1,652,997</u>	<u>541,621</u>	<u>541,621</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	\$	<u><u>801,305</u></u>	<u><u>\$ 541,621</u></u>	<u><u>\$ 387,603</u></u>	<u><u>\$ 90,788</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD & BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 170,000	\$ 183,380	\$ 175,000	\$ 182,798	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	843,270	847,385	954,000	597,552	158,816	142,466	34,164	152,403
Charges for services	-	-	-	-	-	-	-	-
Interest	1,500	125	-	287	-	351	250	219
Other	1,875	30,822	-	1,077	3,500	9,236	120,700	10,271
Transfers in	-	112	-	-	-	-	-	-
Total Receipts	<u>\$ 1,016,645</u>	<u>\$ 1,061,824</u>	<u>\$ 1,129,000</u>	<u>\$ 781,714</u>	<u>\$ 162,316</u>	<u>\$ 152,053</u>	<u>\$ 155,114</u>	<u>\$ 162,893</u>
DISBURSEMENTS								
Salaries	229,000	\$ 243,659	\$ 245,000	\$ 220,222	\$ 116,760	\$ 105,368	\$ 119,432	\$ 108,212
Employee fringe benefits	97,800	100,235	98,000	86,964	37,597	33,193	38,218	35,232
Materials and supplies	70,000	66,645	70,000	33,736	8,600	5,035	14,400	9,378
Services and other	27,000	45,949	46,000	40,475	19,000	20,107	42,600	3,847
Capital outlay	86,305	46,304	86,305	88,398	39,000	20,724	-	18,901
Construction	431,000	462,198	589,500	185,182	-	-	-	-
Transfers out	75,000	86,762	-	-	-	119	-	-
Total Disbursements	<u>\$ 1,016,105</u>	<u>\$ 1,051,752</u>	<u>\$ 1,134,805</u>	<u>\$ 654,977</u>	<u>\$ 220,957</u>	<u>\$ 184,546</u>	<u>\$ 214,650</u>	<u>\$ 175,570</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 540	\$ 10,072	\$ (5,805)	\$ 126,737	\$ (58,641)	\$ (32,493)	\$ (59,536)	\$ (12,677)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>448</u>	<u>448</u>	<u>10,520</u>	<u>10,520</u>	<u>92,144</u>	<u>92,144</u>	<u>59,651</u>	<u>59,651</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 988</u>	<u>\$ 10,520</u>	<u>\$ 4,715</u>	<u>\$ 137,257</u>	<u>\$ 33,503</u>	<u>\$ 59,651</u>	<u>\$ 115</u>	<u>\$ 46,974</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	495,000	547,521	550,000	561,502	-	-	-	-
Intergovernmental	293,187	309,724	299,183	268,323	-	-	-	-
Charges for services	83,000	51,560	222,000	71,474	-	405	400	392
Interest	(1,000)	(312)	-	36	-	-	-	-
Other	10,400	15,065	6,000	7,438	-	-	-	-
Transfers in	135,000	5,421	-	10,000	-	-	-	-
Total Receipts	<u>\$ 1,015,587</u>	<u>\$ 928,979</u>	<u>\$ 1,077,183</u>	<u>\$ 918,773</u>	<u>\$ -</u>	<u>\$ 405</u>	<u>\$ 400</u>	<u>\$ 392</u>
DISBURSEMENTS								
Salaries	\$ 424,000	\$ 463,441	\$ 408,000	\$ 487,630	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	133,500	130,026	132,300	164,356	-	-	-	-
Materials and supplies	70,000	77,543	23,500	23,637	-	-	-	-
Services and other	252,000	102,872	186,200	139,192	335	502	-	191
Capital outlay	20,000	29,810	20,000	23,000	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	8	315,400	26,452	-	-	-	-
Total Disbursements	<u>\$ 899,500</u>	<u>\$ 803,700</u>	<u>\$ 1,085,400</u>	<u>\$ 864,267</u>	<u>\$ 335</u>	<u>\$ 502</u>	<u>\$ -</u>	<u>\$ 191</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 116,087	\$ 125,279	\$ (8,217)	\$ 54,506	\$ (335)	\$ (97)	\$ 400	\$ 201
CASH and CASH EQUIVALENTS, JANUARY 1	(116,081)	(116,081)	9,198	9,198	336	336	239	239
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 6</u>	<u>\$ 9,198</u>	<u>\$ 981</u>	<u>\$ 63,704</u>	<u>\$ 1</u>	<u>\$ 239</u>	<u>\$ 639</u>	<u>\$ 440</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	2,500	2,597	2,500	3,877	-	6,999	-	8,160
Interest	-	-	-	-	-	7	-	6
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	5,000	-	-	-	-
Total Receipts	\$ 2,500	\$ 2,597	\$ 2,500	\$ 8,877	\$ -	\$ 7,006	\$ -	\$ 8,166
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	2,400	446	-	2,130
Services and other	3,600	3,456	2,800	6,419	-	7,492	-	3,009
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	1,034	-	-
Total Disbursements	\$ 3,600	\$ 3,456	\$ 2,800	\$ 6,419	\$ 2,400	\$ 8,972	\$ -	\$ 5,139
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (1,100)	\$ (859)	\$ (300)	\$ 2,458	\$ (2,400)	\$ (1,966)	\$ -	\$ 3,027
CASH and CASH EQUIVALENTS, JANUARY 1	1,176	1,176	317	317	2,427	2,427	461	461
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 76	\$ 317	\$ 17	\$ 2,775	\$ 27	\$ 461	\$ 461	\$ 3,488

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	DARE FUND				LOCAL EMERGENCY PREPAREDNESS COMMISSION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	1,010	-	100	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 1,010</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	2,727	160	3,500	614	-	42	3,100	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,727</u>	<u>\$ 160</u>	<u>\$ 3,500</u>	<u>\$ 614</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 3,100</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (2,727)	\$ 850	\$ (3,500)	\$ (514)	\$ -	\$ (42)	\$ (3,100)	\$ -
CASH and CASH EQUIVALENTS, JANUARY 1	<u>2,727</u>	<u>2,727</u>	<u>3,577</u>	<u>3,577</u>	<u>3,163</u>	<u>3,163</u>	<u>3,121</u>	<u>3,121</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ 3,577</u>	<u>\$ 77</u>	<u>\$ 3,063</u>	<u>\$ 3,163</u>	<u>\$ 3,121</u>	<u>\$ 21</u>	<u>\$ 3,121</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	RECORDER TECHNOLOGY FUND				RECORDER PRESERVATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,300	3,060	3,300	6,526	5,600	5,040	5,200	4,960
Interest	-	40	50	27	-	26	26	16
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 4,300	\$ 3,100	\$ 3,350	\$ 6,553	\$ 5,600	\$ 5,066	\$ 5,226	\$ 4,976
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	18,663	5,971	10,688	1,206	11,626	4,525	3,828	3,611
Services and other	-	-	4,140	6,197	3,500	3,798	7,658	1,593
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	13	-	-	-	8	-	-
Total Disbursements	\$ 18,663	\$ 5,984	\$ 14,828	\$ 7,403	\$ 15,126	\$ 8,331	\$ 11,486	\$ 5,204
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (14,363)	\$ (2,884)	\$ (11,478)	\$ (850)	\$ (9,526)	\$ (3,265)	\$ (6,260)	\$ (228)
CASH and CASH EQUIVALENTS, JANUARY 1	14,363	14,363	11,479	11,479	9,526	9,526	6,261	6,261
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ -	\$ 11,479	\$ 1	\$ 10,629	\$ -	\$ 6,261	\$ 1	\$ 6,033

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	HAVA FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	13,000	15,315
Charges for services	2,750	60	50	30	30,500	22,071	1,100	3,015
Interest	-	-	-	-	250	156	100	115
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 2,750	\$ 60	\$ 50	\$ 30	\$ 30,750	\$ 22,227	\$ 14,200	\$ 18,445
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	3,500	-	-	-	30,000	2,350	24,000	20,267
Services and other	-	-	840	-	6,000	3,070	16,250	3,973
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	50	-	1,054
Total Disbursements	\$ 3,500	\$ -	\$ 840	\$ -	\$ 36,000	\$ 5,470	\$ 40,250	\$ 25,294
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (750)	\$ 60	\$ (790)	\$ 30	\$ (5,250)	\$ 16,757	\$ (26,050)	\$ (6,849)
CASH and CASH EQUIVALENTS, JANUARY 1	773	773	833	833	31,438	31,438	48,195	48,195
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 23	\$ 833	\$ 43	\$ 863	\$ 26,188	\$ 48,195	\$ 22,145	\$ 41,346

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY DELINQUENT TAX FUND				SENIOR SERVICE TAX FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 80,000	\$ 77,302	\$ 78,000	\$ 82,086
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	275	250	85	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ -	\$ 275	\$ 250	\$ 85	\$ 80,000	\$ 77,302	\$ 78,000	\$ 82,086
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	500	-	-	-	-	-
Services and other	-	-	-	-	80,000	81,117	-	78,190
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	1,080	1,082	-	-	-	-	-	-
Total Disbursements	\$ 1,080	\$ 1,082	\$ 500	\$ -	\$ 80,000	\$ 81,117	\$ -	\$ 78,190
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (1,080)	\$ (807)	\$ (250)	\$ 85	\$ -	\$ (3,815)	\$ 78,000	\$ 3,896
CASH and CASH EQUIVALENTS, JANUARY 1	1,082	1,082	275	275	68,777	68,777	64,962	64,962
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 2	\$ 275	\$ 25	\$ 360	\$ 68,777	\$ 64,962	\$ 142,962	\$ 68,858

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	COUNTY LAW ENFORCEMENT RESTITUTION FUND				SHERIFF REVOLVING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	2,500	1,075	2,000	4,559	-	13,260	14,000	23,138
Interest	-	-	-	-	-	18	15	43
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	3,195	-	-	-	-
Total Receipts	\$ 2,500	\$ 1,075	\$ 2,000	\$ 7,754	\$ -	\$ 13,278	\$ 14,015	\$ 23,181
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	28,000	9,068
Services and other	7,500	-	-	4,308	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	3,195	-	-	-	2,120	-	8,000
Total Disbursements	\$ 7,500	\$ 3,195	\$ -	\$ 4,308	\$ -	\$ 2,120	\$ 28,000	\$ 17,068
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (5,000)	\$ (2,120)	\$ 2,000	\$ 3,446	\$ -	\$ 11,158	\$ (13,985)	\$ 6,113
CASH and CASH EQUIVALENTS, JANUARY 1	5,448	5,448	3,328	3,328	3,178	3,178	14,336	14,336
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 448	\$ 3,328	\$ 5,328	\$ 6,774	\$ 3,178	\$ 14,336	\$ 351	\$ 20,449

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	COLLECTOR TAX MAINTENANCE FUND				PUBLIC ADMINISTRATOR EMERGENCY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	21,048	20,603	20,600	21,536	-	-	-	-
Interest	500	182	100	131	-	-	-	-
Other	-	-	-	-	500	1,385	1,500	1,089
Transfers in	-	-	-	-	-	172	-	-
Total Receipts	\$ 21,548	\$ 20,785	\$ 20,700	\$ 21,667	\$ 500	\$ 1,557	\$ 1,500	\$ 1,089
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	6,672	6,866	7,628	17,650	-	-	-	-
Services and other	9,691	13,754	14,698	17,170	1,500	1,807	1,500	519
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	59	-	1,000	-	-	-	-
Total Disbursements	\$ 16,363	\$ 20,679	\$ 22,326	\$ 35,820	\$ 1,500	\$ 1,807	\$ 1,500	\$ 519
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 5,185	\$ 106	\$ (1,626)	\$ (14,153)	\$ (1,000)	\$ (250)	\$ -	\$ 570
CASH and CASH EQUIVALENTS, JANUARY 1	51,700	51,700	51,806	51,806	1,000	1,000	750	750
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 56,885	\$ 51,806	\$ 50,180	\$ 37,653	\$ -	\$ 750	\$ 750	\$ 1,320

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	DOJ EQUITABLE SHARING FUND				JAIL FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	1,616	1,000	-	-	-	-	-
Charges for services	-	-	-	-	236,000	14,280	110,000	225,505
Interest	-	9	-	7	-	-	-	-
Other	-	-	-	-	121,000	52,678	-	-
Transfers in	-	-	-	-	1,200,486	1,225,593	515,400	493,903
Total Receipts	\$ -	\$ 1,625	\$ 1,000	\$ 7	\$ 1,557,486	\$ 1,292,551	\$ 625,400	\$ 719,408
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 144,000	\$ 180,724	\$ 157,000	\$ 229,277
Employee fringe benefits	-	-	-	-	64,800	54,962	54,200	79,654
Materials and supplies	-	-	-	-	18,000	8,729	9,000	20,392
Services and other	4,000	3,000	3,500	-	207,700	121,442	155,200	145,556
Capital outlay	-	-	-	-	987,497	926,694	250,000	244,529
Construction	-	-	-	-	-	-	-	-
Transfers out	-	3	-	-	135,000	-	-	-
Total Disbursements	\$ 4,000	\$ 3,003	\$ 3,500	\$ -	\$ 1,556,997	\$ 1,292,551	\$ 625,400	\$ 719,408
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (4,000)	\$ (1,378)	\$ (2,500)	\$ 7	\$ 489	\$ -	\$ -	\$ -
CASH and CASH EQUIVALENTS, JANUARY 1	4,158	4,158	2,780	2,780	-	-	-	-
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 158	\$ 2,780	\$ 280	\$ 2,787	\$ 489	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	EMSALG FUND				CDBG FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	27,500	25,000	6,669
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,500	\$ 25,000	\$ 6,669
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	-	-	-	-	27,500	25,000	2,500
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,500	\$ 25,000	\$ 2,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,169
CASH and CASH EQUIVALENTS, JANUARY 1	-	19	19	19	-	-	-	-
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ -	\$ 19	\$ 19	\$ 19	\$ -	\$ -	\$ -	\$ 4,169

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CRIME VICTIM ADVOCATE FUND				INMATE SECURITY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	14,071	2,000	29,587
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	986	-	-	-	8	-	-
Total Receipts	\$ -	\$ 986	\$ -	\$ -	\$ -	\$ 14,079	\$ 2,000	\$ 29,587
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	844	-	8,118
Services and other	-	-	-	-	-	1,630	12,000	4,265
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	1,600	-	5,255
Total Disbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,074	\$ 12,000	\$ 17,638
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 986	\$ -	\$ -	\$ -	\$ 10,005	\$ (10,000)	\$ 11,949
CASH and CASH EQUIVALENTS, JANUARY 1	(986)	(986)	-	-	1,269	1,269	11,274	11,274
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ (986)	\$ -	\$ -	\$ -	\$ 1,269	\$ 11,274	\$ 1,274	\$ 23,223

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF CIVIL FUND				Web-GIS			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	9,257	9,000	9,356	-	-	-	2,250
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ -	\$ 9,257	\$ 9,000	\$ 9,356	\$ -	\$ -	\$ -	\$ 2,250
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	-	20,000	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	2,000	-	-	-	-
Total Disbursements	\$ -	\$ -	\$ 20,000	\$ 2,000	\$ -	\$ -	\$ -	\$ -
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ 9,257	\$ (11,000)	\$ 7,356	\$ -	\$ -	\$ -	\$ 2,250
CASH and CASH EQUIVALENTS, JANUARY 1	2,001	2,001	11,258	11,258	-	-	-	-
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 2,001	\$ 11,258	\$ 258	\$ 18,614	\$ -	\$ -	\$ -	\$ 2,250

The accompanying Notes to the Financial Statements are an integral part of these statements.

CEDAR COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cedar County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three Commissioners, there are ten elected Constitutional Officers: Assessor, Circuit Clerk, Collector, County Clerk, Coroner, Prosecuting Attorney, Public Administrator, Recorder, Sheriff, and Treasurer.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Cedar County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the County's legal entity.

Certain elected County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. However, the Crime Victim Advocate Fund budgeted a negative ending fund balance in 2014.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law. However, the County did not adopt formal budgets for the Sheriff Revolving, Inmate Security, and Sheriff Civil funds in 2014 and the Web-GIS Fund in 2015.

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	2015	2014
General Revenue	X	X
Special Road & Bridge	N/A	X
Prosecuting Attorney Training	X	X
Law Enforcement Training	X	N/A
Prosecuting Attorney Bad Check	X	X
Local Emergency Preparedness Commission	N/A	X
Prosecuting Attorney Delinquent Tax	N/A	X
Senior Service Tax	X	X
County Law Enforcement Restitution	X	N/A
Sheriff Revolving	N/A	X
Collector Tax Maintenance	X	X
Public Administrator Emergency	N/A	X
Jail	X	N/A
CDBG	N/A	X
Inmate Security	X	X

Also, the actual expenditures of the Sheriff Revolving and Inmate Security funds in 2014 exceeded budgetary authority to the extent that formal budgets were not adopted for these funds.

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for the calendar year 2015 and 2014, for purposes of taxation were:

	2015	2014
Real Estate	\$ 115,947,956	\$ 114,967,500
Personal Property	45,348,923	41,555,477
Railroad and Utilities	5,548,795	5,250,542
Total	<u>\$ 166,845,674</u>	<u>\$ 161,773,519</u>

For calendar years 2015 and 2014, the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property as follows:

	2015	2014
General Revenue	\$ 0.1508	\$ 0.1600
Special Road & Bridge	0.2414	0.2412
Senior Service Tax	0.0496	0.0496

A portion of the Special Road & Bridge levy is distributed to each of the Special Road Districts within the County.

F. Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from these balances is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash and cash equivalents balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND CASH EQUIVALENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption. Cash and cash equivalents include both deposits and short-term investments with maturities less than 90 days.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, the carrying amounts of the County's deposits were \$596,957 and \$856,261, respectively, and the bank balances were \$697,374 and \$1,012,816, respectively. Of the bank balances, \$250,000 for both December 31, 2015 and December 31, 2014 were covered by federal depository insurance. The remainder of the balances at December 31, 2015 and December 31, 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2015 and 2014, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various

taxing districts in the County. Tax collections on deposit amounted to \$4,592,993 and \$4,137,775 at December 31, 2015 and 2014, respectively. Of the bank balances, \$250,000 for both December 31, 2015 and December 31, 2014 were covered by federal depository insurance. The remainder of the balances at December 31, 2015 and December 31, 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 573-632-9203.

3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2015 and 2014, the County collected and remitted to CERF employee contributions of \$126,892 and \$114,568, respectively, for the years then ended.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with up to thirty days of sick time, to accrue at one-half day per calendar month of employment. Upon termination accumulated sick leave is payable at a rate of fifty percent of the total accumulated. Vacation time is accrued for every full time employee, and accrues at a rate of zero days per year up to fifteen days per year depending on the length of employment. Vacation time shall be used in its entirety within the year earned. Unused vacation will be forfeited at the end of the calendar year.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County purchases workers' compensation insurance through Midwest Public Risk (MPR), a member-driven organization in which member representatives participate in collective ownership by directing pool services and encouraging staff to solve member needs, and offers three distinct lines of coverage to its members: Health Benefits, Property and Liability, and Workers' Compensation. The fund is self-insured up to \$1,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. LONG TERM DEBT

In 2012, the County issued Leasehold Revenue Bonds, Series 2012 in the amount of \$4,820,000 to provide funds for the construction, furnishing, and equipping of the new County jail and to repay the related bond anticipation notes. The County created the Jail Fund in which the activity for this project is recorded. The amount outstanding at December 31, 2015 was \$4,455,000. Principal payments are due on May 1 each year through 2032. Principal payments increase each year, with \$205,000 due May 1, 2016 up to \$345,000 due on May 1, 2032. Interest is due semiannually on April 15 and May 1 of each year with interest rates increasing each year from the initial rate of 0.750% to 4.200%.

8. CAPITAL LEASES

The County had the following leases outstanding at December 31, 2015:

- A. On July 7, 2014, the County entered into a 48 month, \$71,574 capital lease for six Dodge Charger patrol vehicles for the Sheriff's Department. The lease is to be paid in annual payments of \$20,000 for the first three years and \$15,532 in the final year, which include interest of 2.9%. The final payment is scheduled for December 31, 2017. At the end of the lease, the County will have the option to purchase the vehicles.
- B. On August 10, 2012, the County entered into a 60 month, \$116,277 capital lease for two dump trucks. The lease is to be paid in annual payments of \$26,101, which include interest of 3.92%, with the final payment scheduled for August 10, 2017. At the end of the lease, the County will have the option to purchase the vehicles.
- C. On July 5, 2011, the County entered into a 96 month, \$125,012 capital lease for a Caterpillar Grader. The lease is to be paid in annual payments of \$20,203, which include interest at a rate of 6.00%, with the final payment scheduled for July 5, 2019. At the end of the lease, the County will have the option to purchase the vehicle.

- D. On March 17, 2014, the County entered into a 60 month, \$204,275 capital lease for a John Deere Grader. The lease is to be paid in annual payments of \$42,094, which include interest of 1.00%, with the final payment scheduled for April 17, 2019. At the end of the lease, the County will have the option to purchase the vehicle.

9. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through August 4, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the County Commission and
Officeholders of Cedar County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cedar County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Cedar County, Missouri's basic financial statements and have issued our report thereon dated August 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cedar County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cedar County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Cedar County, Missouri's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies as items 1 through 3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 4 and 5.

Cedar County, Missouri's Response to Findings

Cedar County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. Cedar County, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
August 4, 2016

FINDINGS AND RECOMMENDATIONS

CEDAR COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Accounting for Transfers

Condition: The financial statements of the County as presented in the annual budget documents present transfers between funds. The recorded transfers out did not equal the recorded transfers in for either 2015 or 2014. This was the result of transfers out misclassified as expenditures, transfers in misclassified as revenues, and expenditures misclassified as a transfer out. This has the effect of overstating expenditures and revenues as recorded in the annual budget documents. All transfers out must be accompanied by a corresponding transfer in. The financial statements included in this report have been adjusted so that transfers in and out between funds are equal as of December 31, 2015 and 2014.

Recommendation: In order to ensure that transfers are properly reported on the budgets and are in balance, we recommend transfers be clearly identified as transfers and presented in the budget within the transfer category. Other types of transactions should not be presented in the transfer category.

County's Response: The County agreed with the recommendation.

Auditor's Evaluation: No specific action was provided, however, the County agreement with the recommendation should assist in the process of correcting the concern.

2. Internal Controls Over Employee Timesheets and Rate of Pay

Condition: Review of employee timesheets and approved rates of pay found the following exceptions:

- Two out of ten timesheets tested were not signed by the employee's supervisor.
- Three Sheriff's employee timesheets were not signed by the employee.
- One employee received a rate of pay of \$12 per hour, however, the approved rate of pay for this employee was documented as \$11.95 per hour.

Recommendation: We recommend the County ensure all timesheets are signed by the employee and the employee's supervisor prior to distributing payroll. Additionally, we recommend the County implement a process to ensure all employee pay rates are adequately documented, and all changes in rates of pay are accompanied by a supporting document approved by an elected official or Commissioner.

County's Response: The County agreed with the recommendation.

Auditor's Response: No specific action was provided, however, the County agreement with the recommendation should assist in the process of correcting the concern.

3. Procurement Procedures

Condition: The County did not solicit bids and/or retain bid documentation for 8 out of 25 transactions tested from 2014 and one transaction tested from 2015. RSMo 50.660 states, "All contracts and purchases shall be let to the lowest and best bidder after due opportunity for competition...except that the advertising is not required in case of contracts or purchases involving an expenditure of less than six thousand dollars. It is not necessary to obtain bids on any purchase in the amount of four thousand five hundred dollars or less made from any one person, firm or corporation during any period of ninety days...." RSMo 50.783.1 states, "The county commission may waive the requirement of competitive bids or proposals for supplies when the commission has determined in writing and entered into the commission minutes that there is only a single feasible source for the supplies."

Recommendation: We recommend the County solicit bids in accordance with Missouri state law and maintain bid documentation in conjunction with associated disbursement records.

County's Response: The County did not provide written responses, but did subsequently provide bid documentation for some of the items noted in the condition.

Auditor's Evaluation: The recommendation stands. Controls should be in place which allow documentation to be provided in a timely fashion.

ITEMS OF NONCOMPLIANCE

4. Budgetary Compliance

Condition: Actual expenditures exceeded budgeted expenditures for twelve funds in 2014 and nine funds in 2015. The detailed list of funds can be found at Note 1.D.10 to the financial statements. RSMo 50.740 prohibits expenditures in excess of approved budgets. State law requires that budgeted expenditures for each fund not exceed budgeted revenues plus the beginning fund balance. The County adopted a budget for the Crime Victim Advocate Fund in 2014 that budgeted a negative ending fund balance. Additionally, the County did not adopt a formal budget for the Sheriff Revolving, Inmate Security, and Sheriff Civil funds in 2014 and for the Web-GIS Fund in 2015.

Budgetary controls are significant to the proper management and custodianship of county funds. Compliance with statutory requirements related to budgets will improve controls over county funds and help maintain the integrity of the budget process.

Recommendation: We recommend the County ensure compliance with State Statutes by adopting a formal budget for all funds and refraining from approving expenditures in excess of budgeted amounts and approving budgets with negative anticipated ending fund balances. In the event that the originally adopted budget is inadequate to finance current year unforeseen expenditures,

budgetary amendments should be discussed in a public meeting and formally adopted by the County Commission.

County's Response: The County agreed with the recommendation.

Auditor's Evaluation: No specific action was provided, however, the County agreement with the recommendation should assist in the process of correcting the concern.

5. Lack of Investment Policy

Condition: The County has not adopted an investment policy as required by State Statutes. An investment policy addresses topics such as collateralization of deposits, strategy with respect to investment in public funds, and other areas, and thus such a policy would be beneficial and also required for the County. Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. Additionally, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually.

County's Response: The County did not provide written responses, but provided their bank depository agreement as evidence of an investment policy.

Auditor's Evaluation: The depository agreement does not meet the requirements of the state statutes regarding the investment policy. A copy of the Model Investment Policy from the State Treasurer's office has been provided to the County.

CEDAR COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Cedar County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2011 and 2010.

1. Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Status – Resolved.

2. The County was not in compliance with the budgetary statute, Chapter 50, RSMo, as actual disbursements exceeded budgeted disbursements for several funds in 2011 and 2010.

Status – Not resolved. See finding No. 4.

3. During 2010, the County ended with a deficit fund balance for the Crime Victim Advocate Fund. During 2011, the County ended the year with a deficit fund balance in the Crime Victim Advocate Fund and the Law Enforcement Sales Tax Fund.

Status – Resolved.

4. Management is not reviewing bank reconciliations on all accounts on a monthly basis.

Status – Resolved.

5. The County does not require two signatures on checks from some of the County officer's designated funds bank accounts.

Status – Resolved.

6. Due to the absence of a centralized accounting system, receipts and disbursements are not maintained together for funds throughout the year.

Status – Resolved.



Office of Missouri State Auditor
Nicole Galloway, CPA

Summary of Audit Findings
Cyber Aware School Audits



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CITIZENS SUMMARY

Summary of Audit Findings in Cyber Aware School Audits

Background	The Cyber Aware School Audits were designed to assess the effectiveness of privacy and security controls with a focus on identifying practices that improve the security of information school districts have on students and their families. This report summarizes the cybersecurity risks identified from these audits.
Data Governance	The audits found that in many cases a comprehensive data governance program was not established or completed. Data governance is an organizational approach to data and information management that is formalized as a set of policies and procedures encompassing the full life cycle of data, from acquisition to use to disposal. It includes establishing policies, procedures, and standards regarding data security and privacy protection, data access, and data sharing. Without a comprehensive data governance program, there is less assurance the data management and protection procedures in place are effective in reducing data privacy and security risks due to unauthorized access or misuse of data.
User Accounts	The audits found controls for creating and maintaining user accounts for accessing system resources were not fully established. For example, policies and procedures for disabling or removing user accounts timely after a user ended employment were not documented, or required additional steps and policies and procedures for requesting, establishing, and maintaining user access to data and other system resources were not formally documented. Proactive monitoring for user accounts not accessed or used for a specified period of time was not performed. Periodic reviews of user access to data to ensure access remained appropriate and aligned with job duties were not performed. Certain staff shared user accounts and passwords, which meant actions taken cannot be traced back to a specific user. Without appropriate account access policies and procedures, users may have inappropriate or unauthorized access, which can provide opportunities for misuse or inappropriate disclosure of sensitive data.
Security Controls	In many cases the audits found not all necessary security controls were implemented, leaving district technology assets, including personally identifiable information, at risk of inappropriate access, use, and disclosure. For example, specific personnel were not formally appointed to serve as security administrator or formally assigned responsibility for creating, implementing, and maintaining security policies and procedures. Network passwords were not required to be periodically changed and controls to enforce the use of strong passwords were not required. Policies and procedures regarding user access to systems and data, including the use of logon banners and controls to manage concurrent access to systems, were not fully established. Policies and procedures to identify the types of security events to be logged and monitored were not formally documented or the documented policies needed to be enhanced. Physical security controls were not fully established to ensure protection of technology resources. Policies and procedures for certain security controls were not documented. Without a formal designation of staff responsible for security administration, and without documented and approved policies and

procedures, management may not have assurance that control activities are appropriate and properly applied.

Incident Response and Continuity Planning

The audits found additional measures were necessary to protect data in the event of a breach or other disruptive incident. Policies and procedures for responding to security incidents were not formally documented, a comprehensive data breach response policy was not established, or a complete continuity plan was not documented and formally tested. Without prompt and appropriate responses to security incidents, violations could continue to occur and cause damage to an organization's resources. Without a comprehensive data breach response policy, management may not be sufficiently equipped to respond quickly and effectively in the event of a breach, increasing the risk of potential harm to affected individuals.

Security Awareness Program

The audits found a lack of a formal security and privacy awareness training program. As education organizations implement more powerful information systems and become more reliant on electronic data, proactive security awareness programs become a priority. Uninformed users are a major threat to data security in education organizations. Without adequate training, users may not understand system security risks and their role in implementing related policies and controls to mitigate those risks.

Vendor Controls

The audits found controls for monitoring vendors and contracts were not fully established. Processes did not exist to ensure software acquired or outsourced from information technology vendors complied with data security principles. In some cases, a written contract was not established with the vendor of a critical district system or the contract did not fully define expectations over securing and accessing district data. Without an effective process for monitoring and managing risk of software acquisition or outsourcing, and without a written contract that fully defines data security expectations, districts have less assurance that services meet current and future data privacy and security needs.

Because of the nature of this report, no rating has been provided.
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All reports are available on our Web site: auditor.mo.gov

Summary of Audit Findings

Cyber Aware School Audits

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NICOLE GALLOWAY, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Dr. Margie Vandeven, Commissioner
Department of Elementary and Secondary Education
Jefferson City, Missouri

This report was compiled using the five audits completed between March and September 2016 as part of the State Auditor's Cyber Aware School Audits Initiative. That initiative focused on evaluating the effectiveness of data governance programs, including identifying cybersecurity safeguards and privacy controls that can help schools improve the security of student data. The objective of this report is to summarize the common cybersecurity, privacy, and security control issues and recommendations discussed in those audits to raise awareness and assist other school districts in identifying strengths and areas where improvements can be made in their data governance programs.

The recommendations address a variety of topics including data governance, user accounts, security controls, incident response and continuity planning, security awareness, and vendor monitoring. The Appendix lists the five audit reports issued. The issues and recommendations presented in this report may not have been applicable to each of the five districts and each district may have had varying levels of controls established for each issue. As a result, refer to each district's audit report for findings and recommendations applicable to that district.

Nicole R. Galloway, CPA
State Auditor

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Summary of Audit Findings

Cyber Aware School Audits

Introduction

Background

The Cyber Aware School Audits were designed to assess the effectiveness of privacy and security controls with a focus on identifying practices that improve the security of information school districts have on students and their families.

Districts use a student information system (SIS) to maintain student data and to track and monitor academic progress. The SIS maintains private and confidential data, such as assessment test scores and other sensitive data. Districts upload various student data maintained in the SIS to the Department of Elementary and Secondary Education (DESE), Missouri Student Information System (MOSIS) Data Collection component periodically throughout the year. The MOSIS Data Collection component is used to collect student-level data from school districts for processing and reporting. Data submitted by districts include elements such as enrollment and attendance, demographics, performance information, and college and career data used for evaluating the success and achievements of students. Districts also use a financial accounting system and a network management system for administering user access to various district resources. Other systems and applications are used for administrative functions and to enhance student productivity and classroom collaboration.

Cyber threats continue to emerge and evolve

As connectivity of business activity increases and organizations become increasingly dependent on technology, including computerized systems and electronic data, no school district is exempt from cyber threats, vulnerabilities, and privacy exposures. As a result, it is important to view information security and privacy as a business issue rather than strictly an information technology issue. Security threats, vulnerabilities, and privacy exposures challenge every organization, creating data protection and privacy risks that must be understood, addressed, and managed.

In the 2015 High-Risk Series¹ update, the Government Accountability Office (GAO) expanded the scope of the information security high-risk area to include protecting the privacy of personally identifiable information (PII).² The GAO expanded this risk area due to the challenges of ensuring

¹ Report GAO-15-290, Report to Congressional Committees, High-Risk Series An Update, February 2015, is available at <<http://www.gao.gov/assets/670/668415.pdf>>.

² According to the Family Educational Rights and Privacy Act (FERPA), personally identifiable information (PII) includes, but is not limited to (a) the student's name; (b) the name of the student's parent or other family members; (c) the address of the student or student's family; (d) a personal identifier, such as the student's social security number, student number, or biometric record; (e) other indirect identifiers, such as the student's date of birth, place of birth, and mother's maiden name; and (f) other information that, alone or in combination, is linked or linkable to a specific student that would allow a reasonable person in the school community, who does not have personal knowledge of the relevant circumstances, to identify the student.



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the privacy of PII created by advances in technology. Technology advances, such as lower data storage costs and increasing interconnectivity, have allowed both government and private sector agencies to collect and process extensive amounts of PII more effectively. Risks to PII can originate from unintentional and intentional threats. These risks include insider threats from careless, disgruntled, or improperly trained employees and contractors; the ease of obtaining and using hacking tools; and the emergence of more destructive attacks and data thefts.

Technology advances, combined with the increasing sophistication of individuals or groups with malicious intent, have increased the risk of PII being compromised and exposed. Correspondingly, the number of reported security incidents involving PII in both the private and public sectors has increased dramatically in recent years. At the same time, school districts are increasingly reliant on technology and information sharing to interact with students and parents and to deliver essential educational services. As a result, the need to protect information, including PII, against cyber threats is increasingly important.

Data governance

According to the U.S. Department of Education, Privacy Technical Assistance Center (PTAC),³ data governance is an organizational approach to data and information management that is formalized as a set of policies and procedures encompassing the full life cycle of data, from acquisition to use to disposal. It includes establishing policies, procedures, and standards regarding data security and privacy protection, data inventories, content and records management, data quality control, data access, and data sharing and dissemination.

Security and privacy controls

According to accepted standards, security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system to protect the confidentiality, integrity, and availability of a system and its information. Confidentiality refers to preserving authorized restrictions on information access and disclosure, including the means for protecting personal privacy and proprietary information. Integrity relates to guarding against improper information modification or destruction, and availability ensures timely and reliable access to and use of information. Effective privacy controls depend on the safeguards employed within the information system that is processing, storing, and transmitting PII and the environment in which the system operates. Organizations cannot have effective privacy without a basic foundation of information security.

³ U.S. Department of Education, Privacy Technical Assistance Center, Data Governance Checklist, is available at <http://ptac.ed.gov/sites/default/files/Data%20Governance%20Checklist%20%281%29.pdf>.



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Laws and regulations

Various federal and state laws and regulations pertain to the protection of sensitive student data, including the Family Educational Rights and Privacy Act (FERPA), the Individuals with Disabilities Education Act (IDEA), and the Protection of Pupil Rights Amendment (PPRA). Additionally, Section 161.096, RSMo, requires the State Board of Education to promulgate a rule regarding "student data accessibility, transparency, and accountability."⁴

Standards and best practices

We based our evaluation of the effectiveness of the school districts' data governance programs on accepted state, federal, and international standards; policies and procedures; and best practices related to information technology security and privacy controls from the following sources:

- National Institute of Standards and Technology (NIST)
- Government Accountability Office (GAO)
- ISACA (previously known as the Information Systems Audit and Control Association)
- U.S. Department of Education, Privacy Technical Assistance Center (PTAC)⁵

Controls established

School districts have an important responsibility for maintaining the privacy of student data and for implementing and maintaining information security controls. Districts often rely extensively on computerized systems to support educational and mission-related operations and on information security controls to protect the sensitive data residing on those systems. While we found areas where improvements are needed, as discussed in the Audit Issues section, we also found the districts have generally established:

- A technology usage policy to facilitate access to district technology and to create a safe environment for using the technology, including promoting online safety, security, and confidentiality.
- Policies and procedures, including applicable parent/student forms, required to be in compliance with the FERPA data disclosure and usage provisions.
- The controls and processes required to be in compliance with the Children's Internet Protection Act (CIPA).
- Certain controls designed to help ensure the privacy of data and to help ensure the confidentiality, integrity, and availability of significant systems and data maintained on those systems.

⁴ 5 CSR Section 20-700.100

⁵ According to its web site, the U.S. Department of Education established the PTAC as a "one-stop" resource for education stakeholders to learn about data privacy, confidentiality, and security practices related to student-level longitudinal data systems. The PTAC provides information and guidance on privacy, confidentiality, and security practices through a variety of resources. PTAC information is available at <<http://nces.ed.gov/programs/ptac>>.



Summary of Audit Findings Cyber Aware School Audits Introduction

Certain districts have established additional controls. Refer to the individual audit reports, listed in the Appendix, for a list of controls established by each district.

Summary of Audit Findings

Cyber Aware School Audits

Audit Issues

1. Data Governance

A comprehensive data governance program has not been established or the program has not been completed. As a result, there is less assurance the data management and protection procedures in place are effective in reducing data privacy and security risks due to unauthorized access or misuse of data.

Continued growth in the amount of student data and information collected and stored electronically by school districts has increased the need for protecting and managing this data. Data governance is a set of processes that helps ensure sensitive data is formally managed so that student data is available to those that need it while at the same time ensuring individual student privacy is maintained. Data governance puts people in charge of ensuring that student data is accurate and protected from misuse.

According to the U.S. Department of Education, Privacy Technical Assistance Center (PTAC), data governance is necessary to ensure the confidentiality, integrity, availability, and quality of data. Establishing a data governance program is a critical task for any educational organization. An effective program requires establishing decision-making authority, defining policies and practices for the protection of sensitive data, identifying and gaining support of stakeholders, implementing the program, and monitoring its success. By clearly establishing policies, standard procedures, responsibilities, and controls for data activities, a data governance program helps to ensure that information is collected, maintained, used, and disseminated in a manner that protects privacy, confidentiality, and security, while allowing educational organizations to meet their missions.

Important components that districts have not incorporated into comprehensive data governance programs include:

- Responsibility for data management
- Data stewardship
- Inventory and classification of data
- Source and content of data
- Monitoring unauthorized disclosure of PII
- Archival and/or destruction of data at the end of its lifecycle

Without a formal data governance program, the district cannot ensure that sensitive and personally identifiable data maintained by the district is adequately protected and safe from unauthorized access, misuse, or inadvertent disclosure.

Recommendation

Establish and implement a formal data governance program encompassing the full life cycle of data, from acquisition to use to disposal.



2. User Accounts

Controls for creating and maintaining user accounts for accessing system resources have not been fully established.

Computer systems and data must be protected to prevent unauthorized access and misuse of sensitive data. A common way to manage access, and track who is using a system, is with user accounts to identify (user ID) and authenticate (password) users. User accounts can be used to control how much or to what parts of a system a user has access and the actions they can take while on a system. A district should have policies and procedures for authorizing, reviewing, and removing user access to systems and data and document such authorizations and actions. User account access controls should limit access to only the individuals who need such access to perform their job, remove accounts no longer necessary, and include a review of user access rights periodically.

2.1 Terminated users

Policies and procedures for disabling or removing user accounts timely after a user terminates have not been documented, or require additional steps. We found former users still had access to district systems and information 30 or more days after leaving the district.

Without effective procedures to remove access upon termination, former employees could continue to have access to critical or sensitive data and resources, increasing the risk of the unauthorized use, modification, or destruction of data and information.

Recommendation

Fully establish, document, and follow policies and procedures to ensure user accounts and related access privileges are removed timely upon user termination.

2.2 Account request

Policies and procedures for requesting, establishing, and maintaining user access to data and other system resources have not been formally documented. Additionally, a standard user access request form is not used to document the request and approval process.

To adequately control accounts, an organization should establish policies and procedures for authorizing and maintaining all user accounts, including system administrators. These policies and procedures should cover user access needed for routine operations, emergency access, and the sharing and disposition of data with individuals or groups outside the organization.

Without appropriate account access policies and procedures, users may be granted inappropriate or unauthorized access, which can provide opportunities for misuse or inappropriate disclosure of sensitive data.

Recommendation

Establish and document formal policies and procedures, including requiring standard forms, for requesting, approving, and maintaining access to systems.



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**2.3 Inactive account
monitoring**

Proactive monitoring for user accounts that have not been accessed or used for a specified period of time is not performed.

Inactive accounts can indicate users no longer need the access privileges provided by the accounts. Without appropriate monitoring, security administrators are less likely to identify user accounts that had not been accessed or used for a specified period of time.

Recommendation

Periodically monitor user account access to identify and evaluate inactive accounts.

2.4 Review of user access

Periodic reviews of users' access to data to ensure access remains appropriate and aligned with job duties have not been performed.

As users' work assignments and job responsibilities change, access rights to district systems may be added, changed, or removed. Over time, users can accumulate access rights that are no longer necessary, increasing the risk of inappropriate access to district data.

Without periodically reviewing user access rights, there is an increased risk that unauthorized alterations of the rights will go undetected or that access rights may not be aligned with current job duties.

Recommendation

Periodically review user access to data and other information resources to ensure access rights remain appropriate and are commensurate with job duties and responsibilities.

2.5 Shared accounts

Certain staff share user accounts and passwords. Because the accounts are shared, any actions taken by the account users cannot be identified with a specific user. Additional compensating controls, such as monitoring or management review of actions performed using these accounts, are not in place.

Allowing multiple users to share the same account, without establishing compensating controls, makes it difficult, if not impossible, to identify the user responsible for changes made to system settings.

Recommendation

Eliminate the use of shared accounts, or establish compensating monitoring controls to mitigate the risk of lack of individual accountability for system activity.

3. Security Controls

Not all necessary security controls have been implemented, leaving district technology assets, including personally identifiable information (PII), at risk of inappropriate access, use, and disclosure.



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Security controls involve the management of people, processes, and technology to help protect a district's computer systems and data, including sensitive student data. Security controls are safeguards or countermeasures, such as strong passwords, to avoid, detect, counteract, or minimize security risks to computer systems, data, physical property, or other assets. Security controls involve establishing policies, supervision, manual processes, actions by individuals, or automated processes. Security controls can be built in to computer systems or devices to help protect data stored electronically or can help protect physical computer resources, such as laptops and network devices, by securing the areas where the resources are located.

3.1 Security administrator

Specific personnel have not been formally appointed to serve as security administrator or formally assigned responsibility for creating, implementing, and maintaining security policies and procedures.

The technology director and technology staff are often informally tasked with maintaining the security of technology resources and data. However, without a formal designation of staff responsible for security administration, there is increased risk that security policies and procedures may not be adequately designed, documented, implemented, and updated.

Recommendation

Formally appoint a security administrator who is responsible for developing and maintaining district security policies and procedures.

3.2 Password controls

Network passwords are not required to be periodically changed and controls to enforce the use of strong passwords are not required. As a result, there is less assurance passwords effectively limit access to computer systems and data files to only authorized users and those individuals who need access to perform their job responsibilities. Passwords should be changed periodically and strong password controls should be implemented to reduce the risk of unauthorized access to and use of systems and data.

Without requiring passwords to be periodically changed or enforcing strong password controls, there is an increased risk of a password becoming known by someone other than the account owner, which may result in inappropriate access to and misuse of sensitive district information.

Recommendation

Ensure passwords are periodically changed and enhance password controls to prevent unauthorized access to computers and data.

3.3 Access controls

Policies and procedures regarding user access to systems and data have not been fully established. As a result, certain access controls needed to protect systems have not been implemented.



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Logon banners

Logon banners are not displayed to users accessing district systems and data. Logon banners should display information to system users regarding applicable privacy and security notices and required compliance with applicable laws, regulations, and policies. Without a displayed logon banner, users may not be informed or aware of the authorized or appropriate use of the system and data.

Concurrent users

Controls have not been established to limit or detect concurrent access to district systems. Concurrent session controls prevent a single user from accessing an information system from more than a specified number of locations at any given time. These controls help prevent unauthorized users from accessing the system by masquerading as an authorized user. Without limiting or detecting access from multiple locations at the same time, management may not be able to ensure the confidentiality, integrity, and availability of data and the system.

Recommendation

Fully establish access control policies and procedures by implementing logon banners for district systems to indicate appropriate use and by establishing security controls to manage and monitor the number of concurrent sessions for a single user.

3.4 Security logs

Policies and procedures to identify the types of security events to be logged and monitored have not been formally documented or the documented policies need to be enhanced. As a result, there is less assurance that detected and logged security incidents are properly investigated and resolved.

Often, system default logging settings are used. Because districts have not customized these settings regarding which events are logged, the security logs are voluminous and cannot effectively be monitored for unusual or suspicious activity. A district should establish relevant criteria and identify significant system events that should be logged. At a minimum, all such significant events, including access to and modification of sensitive or critical system resources, should be logged. Also, logging should include appropriate information to facilitate monitoring of such significant system events.

Without an effective method to identify, log, and monitor significant security-relevant events, a district is at increased risk that unauthorized or inappropriate system activity may not be detected.

Recommendation

Establish and document criteria for identifying which security events should be written to audit logs and monitored and investigated as security incidents.

3.5 Physical security

Physical security controls have not been fully established to ensure protection of technology resources. For example, responsibility for physical



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security of technology resources has not been formally assigned; a documented policy for physical access to technology resources, including who can be authorized access to restricted or sensitive areas, has not been established; and keys to access restricted areas are not adequately controlled nor spare keys properly monitored.

Without adequate physical security controls, a district is at risk the physical infrastructure of the computer network could be accidentally or maliciously damaged, destroyed, or lost; causing significant issues for the district.

Recommendation

Formally document responsibility for physical protection of technology resources and develop policies and procedures to effectively restrict physical access.

3.6 Documentation of security controls

Policies and procedures for certain security controls have not been documented, including:

- Requesting and receiving approval for system access.
- User identification and password requirements for users accessing district technology resources.
- Procedures for establishing user access to data and other resources.
- Policies regarding which security groups users may be assigned to, along with the access rights granted each group.
- Policies describing who may be granted privileged access to systems.
- Resetting lost or compromised passwords.
- Notifying security administrators of the need to disable accounts for users terminating employment.
- Policies describing how to disable accounts for users terminating employment.
- Periodically reviewing user access to data and other information resources.
- Periodic reviews of user groups, including membership and the access rights granted to the groups.
- The allowable use of removable media, such as flash drives.

According to accepted standards, documentation of all aspects of computer support and operations is important to ensure continuity and consistency. Formalizing operational practices and procedures with sufficient detail helps to eliminate security lapses and oversights, gives new personnel sufficiently detailed instructions, and provides a quality assurance function to help ensure that operations will be performed correctly and efficiently.

Without documented and approved policies and procedures, management may not have assurance that control activities are appropriate and properly applied.

Recommendation

Fully document and periodically review security policies and procedures.



4. Incident Response and Continuity Planning

Additional measures are necessary to protect data in the event of a breach or other disruptive incident.

Security incidents and breaches of electronically-stored data are a growing concern for all organizations. Establishing and implementing an incident response plan, data breach response policy, and continuity plan outlining district policies and procedures for addressing potential incidents is an essential step in protecting the privacy of student data. Establishing these plans for detecting and responding to incidents, complete with clearly defined roles and responsibilities, provides a better response capability and can help shorten the incident response and recovery time. Prompt response helps minimize the risk of any further data loss and helps limit negative consequences of an incident or breach, including potential harm to individuals impacted by the incident. Continuity planning helps ensure that resources, including data, which has been lost, manipulated, or compromised; whether as the result of a cyberattack or a natural disaster; can be recovered quickly to minimize the impact on a district's operations.

4.1 Incident response documentation

Policies and procedures for responding to security incidents have not been formally documented.

According to accepted standards, a security incident is an occurrence that actually or potentially jeopardizes the confidentiality, integrity, or availability of an information system or the information the system processes, stores, or transmits; or that constitutes a violation or imminent threat or violation of security policies, security procedures, or acceptable use policies. It is important that an organization have formal written procedures for reporting security violations or suspected violations to a central security management office so that multiple related incidents can be identified, other employees alerted to potential threats, and appropriate investigations can be performed.

Without prompt and appropriate responses to security incidents, violations could continue to occur and cause damage to an organization's resources indefinitely. Further, violators will not be deterred from continuing inappropriate access activity, which could result in disclosure of confidential information and financial losses.

Recommendation

Establish and document an incident response plan that includes centrally tracking all security incidents.

4.2 Data breach response policy

A comprehensive data breach response policy has not been established. Implementing a data breach response policy is an essential step in protecting the privacy of student data.

A data breach is a security incident in which sensitive or confidential data, such as PII, has potentially been accessed, stolen, or used by an



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unauthorized individual. The U.S. Department of Education, PTAC recommends all educational organizations create a data breach response policy. The policy should establish goals for the response process and include the definition of a breach, staff roles and responsibilities, as well as reporting, remediation, and feedback mechanisms. The policy should be well publicized and made easily available to all personnel whose duties involve data privacy and security protection.

Without a comprehensive data breach response policy, management may not be sufficiently equipped to respond quickly and effectively in the event of a breach, increasing the risk of potential harm to affected individuals.

Recommendation

Formally document and adopt a comprehensive data breach response policy to promote an appropriate response in the event of a breach of protected student data.

4.3 Continuity planning

A complete continuity plan has not been documented and formally tested. Individuals responsible for carrying out those duties have not received formal training.

Elements of a continuity plan districts have not documented include:

- Priorities and procedures for the restoration of critical systems and data.
- Identification of persons responsible for restoration of specific systems and data.
- Formal identification of the resources and data included in the district's backups.

According to accepted standards, a continuity plan or suite of related plans should be developed for restoring critical business functions and applications. The plans should include arrangements for alternative processing facilities in case the usual facilities are significantly damaged or cannot be accessed. Staff should be trained and aware of their responsibilities to prevent, mitigate, and respond to emergency situations. Additionally, testing continuity plans is essential for determining whether the plans will function as intended in an emergency situation.

Without a tested and functional continuity plan, management has limited assurance the organization's business functions and computer processing can be sustained during or promptly resumed after a disruptive incident.

Recommendation

Develop a comprehensive continuity plan and formally assign responsibilities for development, implementation, and maintenance of the plan to appropriate personnel. Once established, ensure the plan is tested on a periodic basis.



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5. Security Awareness Program

A formal security and privacy awareness training program has not been established. As education organizations implement more powerful information systems and become more reliant on electronic data, proactive security awareness programs become a priority. Uninformed users are a major threat to data security in education organizations.

Technology solutions are not always the answer for preventing a security incident or a data breach. Establishing a district-wide security awareness training program is an effective way to make sure employees are aware of cyber threats so they will not make costly errors that could result in a security incident or data breach. Encouraging awareness about data protection and security issues while developing properly trained staff requires that various areas be addressed through a comprehensive training program. Security awareness training initiatives can include classroom style sessions, security awareness websites, helpful hints provided via email, and bulletin board notices. These methods can help ensure employees have a solid understanding of district security policies, procedures, and best practices and what they can do to recognize and respond appropriately to potential security issues and cyber threats.

According to accepted standards, the purpose of computer security awareness, training, and education is to (1) enhance security by improving awareness of the need to protect system resources and developing skills and knowledge so computer users can perform their jobs more securely; and (2) build in-depth knowledge, as needed, to design, implement, or operate security programs for organizations and systems. With proper security and privacy awareness training and clear communication of data and device use policies, employees can become the first line of defense against cybersecurity incidents.

Without adequate training, users may not understand system security risks and their role in implementing related policies and controls to mitigate those risks.

Recommendation

Establish a formal security and privacy awareness training program.

6. Vendor Controls

Controls for monitoring vendors and contracts have not been fully established.

Districts can obtain the use of information system services, including use of computer software and data backup services, through contracts and licensing agreements with vendors. Vendors should meet the same security requirements that the organization itself is required to meet when processing, storing, or transmitting information or operating information systems on behalf of an organization. The responsibility for managing risks from the use of a vendor's information system services remains with district officials. This risk can be managed by establishing thorough written



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contracts and monitoring processes to ensure technology vendors comply with district security requirements.

6.1 Vendor monitoring

A process for ensuring software acquired or outsourced from information technology vendors complies with data security principles has not been established.

Software products from a number of vendors are used to manage financial information, human resources data, student data, and other information. Depending on the arrangement, some products are installed on district-owned equipment and maintained by district personnel (with additional support from the vendor), while others are hosted and maintained directly by the vendor. Contracts often contain a clause stating the vendor will provide appropriate security functionality for a district. However, district staff had not asked vendors to provide documentation that their product's security functionality met generally accepted industry standards.

Without an effective process for monitoring and managing risk of software acquisition or outsourcing, districts have less assurance in a vendor's ability to deliver services effectively, securely, and reliably and to ensure that services meet current and future data privacy and security needs.

Recommendation

Develop procedures to formally monitor information technology vendors to ensure the district's data is properly protected and the vendor acts in accordance with contract terms and conditions.

6.2 Vendor contracts

A written contract has not been established with the vendor of a critical district system or the contract does not fully define expectations over securing and accessing district data.

The U.S. Department of Education, PTAC provides best practices for organizations entering into written agreements. These best practices include stating ownership of PII; agreeing on limitations on use of PII, including restrictions on marketing, advertising, data mining; and maintaining data in a secure manner by applying appropriate technical, physical, and administrative safeguards to properly protect PII. They also include setting terms for data destruction, identifying penalties for inappropriate disclosure, and defining terms for conflict resolution.

Without a written contract that fully defines data security expectations, districts cannot ensure the security and privacy of its data, and cannot rely on enforceable contractual provisions in the event of a vendor dispute or noncompliance.

Recommendation

Establish a written contract and/or improve the existing contract with the vendor defining services provided and expectations over securing and accessing district data.

Summary of Audit Findings

Cyber Aware School Audits

Appendix - Audit Reports

Report Number	Title	Publication Date
2016-015	Boonville R-1 School District - Student Data Governance	March 2016
2016-025	Waynesville R-VI School District - Student Data Governance	May 2016
2016-058	Cape Girardeau Public School District - Student Data Governance	August 2016
2016-084	Park Hill School District - Student Data Governance	September 2016
2016-089	Orchard Farm R-V School District - Student Data Governance	September 2016



Office of Missouri State Auditor
Nicole Galloway, CPA

City of Huntsville



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Huntsville

Park and Recreation Advisory Board Controls and Procedures	The Park and Recreation Advisory Board (Park Board) is not operated in compliance with city code. The Park Board President was removed from his position without the consent of the City Council, Park Board meeting minutes are not submitted to the City Clerk as required by city code, and an annual financial report has not been submitted to the City Council in at least 10 years.
Cemetery Controls and Procedures	The City Council approved cemetery rate increases in May 2014 without preparing a statement of costs as required by law or maintaining documentation of how the rate increase was calculated. The City Council voted to increase the cemetery rates in May 2014; however, the City Council did not adopt a new ordinance until February 2015. The city collected increased rates before adopting the ordinance. The city does not have a bid policy that discusses procedures for documenting the City Council's evaluation and selection of bids.
Budgets	Annual budgets do not contain a budget message and debt service information as required by state law. Budget amendments are not prepared before the original budgeted expenditure total is exceeded. Rather, the City Council waits until year end to amend the budget to increase the expenditure budget to actual expenditure amounts.
City Procedures	The City Council has not established adequate procedures to ensure all candidates for the position of councilperson are qualified to run for office. City code indicates the municipal division shall assess a \$5 Crime Victims' Compensation; however, the Court collects \$7.50 as required by state law. The City Council approved a year-end payment to all city employees, which appear to be bonuses paid to the city employees in violation of the Missouri Constitution.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

City of Huntsville

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
City of Huntsville, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Huntsville. We have audited certain operations of the city in fulfillment of our duties. The city engaged Gerding, Korte, and Chitwood, P.C. Certified Public Accountants (CPA), to audit the city's financial statements for the year ended June 30, 2015. To minimize duplication of effort, we reviewed the report of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2015. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

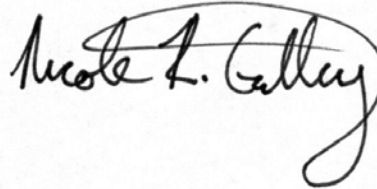
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Huntsville.

An additional report, No. 2016-054, *Fourteenth Judicial Circuit, City of Huntsville Municipal Division*, was issued in August 2016.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Albert Borde-Koufie, MBA
	Margie Freeman, CPA

City of Huntsville

Management Advisory Report

State Auditor's Findings

1. Park and Recreation Advisory Board Controls and Procedures

The Park and Recreation Advisory Board (Park Board) is not operated in compliance with city code.

The Park Board serves as an advisory board to the City Council for the placement, construction, operation, and maintenance of the city's parks and recreational facilities. The Park Board consists of 5 directors appointed by the Mayor and approved by the City Council.

1.1 Removal of Board President

The Park Board President was removed from his position without the consent of the City Council.

According to the July 17, 2014, City Council meeting minutes, then Mayor Gordy stated there was no Park Board, resulting in regular meetings not being held and the President not performing his duties. According to the City Clerk, the Mayor organized a Park Board meeting on July 30, 2014, consisting of new board members so the Park Board could vote to remove the Board President. However, the City Council did not approve this action. City Code Section 235.030 indicates that the City Council must approve the removal of any Park Board director for misconduct or neglect of duty. City officials could not provide any documentation of misconduct or neglect of duty by the Park Board President. Also, we could not verify whether the Park Board held regular meetings because neither the city nor the Park Board could provide minutes for meetings held before October 2014.

City Code Section 235.030, indicates the Mayor, with the consent of the City Council, may remove any director of the Park Board for misconduct or neglect of duty.

1.2 Meeting minutes

Park Board meeting minutes are not submitted to the City Clerk as required by city code. We requested Park Board meeting minutes and received meeting notices from the City Clerk for the period October 2014 through March 2015. The current Park Board President, appointed in April 2015, provided handwritten minutes for meetings held from May 2015 through September 2015.

City Code Section 235.050, passed in October 2014, states the Park Board is responsible for submitting the approved minutes of each meeting to the City Clerk for filing.

1.3 Annual financial report

An annual financial report has not been submitted to the City Council in at least 10 years. According to City Code Section 235.060, the park board president shall present an annual report in writing to the City Council at the first meeting of the City Council in April of each year. City code also requires the report to include the sums of money received from the park



City of Huntsville
Management Advisory Report - State Auditor's Findings

fund and other sources and the sums of money expended by the City Council for city parks and the purposes of the purchases.

Recommendations

- 1.1 The City Council should approve the removal of Park Board members before action is taken.
- 1.2 The Park Board should ensure monthly meeting minutes are submitted to the City Clerk for filing.
- 1.3 The Park Board should ensure an annual financial report is submitted to the city annually.

Auditee's Response

- 1.1 *The city concedes that the Park Board president was improperly removed from office by former Mayor Carl Gordy. In the summer of 2014, a group of citizens, along with former Mayor Gordy, attempted to dismantle and supplant the existing Park Board with a new Park Board. As part of that effort, Mayor Gordy unilaterally removed the existing Park Board President from his office without the City Council's approval, claiming that it was in his authority as Mayor to do so. The City Council did not approve the removal of the Park Board president, nor was it given notice of in excess of \$11,000 in expenditures unilaterally authorized by former Mayor Gordy for alleged improvements to the city's park. While the city ultimately ratified the expenditures, it never ratified the removal of the former Park Board president because there were never any allegations or findings of misconduct or neglect of duty on his part.*
- 1.2 *In response to the report recommendations, the city will make diligent efforts to obtain monthly meeting minutes from the Park Board. From this point forward, the city will also require the Park Board to provide written notification that the Park Board did not meet in months where the Park Board is unable to obtain a quorum or simply does not convene.*
- 1.3 *The city will ensure that the Park Board provides an annual financial report to the city in accordance with City Code Section 235.060.*

2. Cemetery Controls and Procedures

The city increased cemetery rates without preparing a statement of costs and charged rates without an ordinance supporting the rates. In addition, the city officials did not document their evaluation and selection of cemetery mowing bids. The city is responsible for selling and collecting fees for lots and maintaining records such as books and plats pertaining to the cemetery. The city is also responsible for maintaining the cemetery grounds.



City of Huntsville
Management Advisory Report - State Auditor's Findings

2.1 Cemetery rates

The City Council approved cemetery rate increases in May 2014 without preparing a statement of costs as required by law or maintaining documentation of how the rate increase was calculated. Without a current cost study to support the rates charged for the cemetery, it is unclear whether the rates assessed for the services are set at an appropriate level.

The city had not increased the cemetery rates since 1989, and was charging \$75 per lot for residents and \$150 per lot for non-residents. In addition to lot sales, the Cemetery Fund receives funding from a property tax levy and the Cemetery Association, with expenditures primarily for mowing and upkeep of the cemetery. According to the city's independent audit report, the Cemetery Fund had revenues of \$24,229 and \$24,981 and expenditures of \$20,182 and \$27,500, respectively, for the years ended June 30, 2013 and 2014.

In May 2014, the City Council voted to increase rates to \$500 per lot and also start collecting from the applicable funeral home a one-time \$175 care fee and \$25 grave marking fee (maintenance fees) for each lot. Residents and non-residents are now charged the same rate. The city's fiscal year end June 30, 2015, financial statements indicate revenues increased to \$27,510 primarily due to the cemetery rate increases and increased funding from the Cemetery Association. However, mowing and upkeep expenditures increased that fiscal year to \$34,570 causing the overall balance of the fund to decline instead of improve.

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of costs that shows the increase is necessary to cover costs of providing the services. To ensure cemetery rates are set to cover the cost of providing the related services, the city should perform and document a detailed cost study of its cemetery costs including mowing and upkeep of cemetery grounds, and establish rates to cover the total cost of operations without generating excessive profits.

2.2 Rates charged without ordinance

The City Council voted to increase the cemetery rates in May 2014; however, the City Council did not adopt a new ordinance until February 2015. The city collected \$1,500 in lot fees and \$2,000 in maintenance fees before adopting the ordinance. As a result, the city collected \$3,275 more in fees than would have occurred if the previous fee structure had been used. The city charged the old rate to anyone who had already started the process of purchasing a lot. Purchasing processes starting after approval of the rate increase had to pay the new rate and fees.

Revisions to rates and fees established by ordinance should not be assessed until formally adopted by revision to applicable ordinance provisions. Because ordinances passed by the City Council to govern the city and its



City of Huntsville Management Advisory Report - State Auditor's Findings

residents have the force and effect of law, it is important they are current and complete prior to the collection of new rates.

2.3 Bid policy

The city does not have a bid policy that discusses procedures for documenting the City Council's evaluation and selection of bids. The City Council did not clearly document its evaluation and selection of mowing services. The city received 3 bids for mowing services for the year ended June 30, 2015. Two bids were for \$1,100 per mowing and the other for \$925 per mowing. The city selected one of the \$1,100 bids but did not document why it was chosen. Annual mowing expenses increased by approximately \$12,800 from the year ended June 30, 2013, to the year ended June 30, 2015. The city had a total of \$31,900 in mowing expenses for the year ended June 30, 2015.

Formal bidding procedures for major purchases or services provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in city business. Complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

Recommendations

The City Council:

- 2.1 Ensure a statement of costs is prepared to support cemetery rates and document formal reviews of cemetery rates periodically to ensure revenues are sufficient to cover all costs of providing these services.
- 2.2 Ensure all rate adjustments are properly approved and incorporated timely into ordinance. The city should consult with legal counsel on how to handle the \$3,275 collected from residents before the ordinance was approved.
- 2.3 Adopt a bid policy and ensure sufficient documentation of the selection process and criteria to support purchasing decisions is retained.

Auditee's Response

- 2.1 *The increase in cemetery rates effective March 2014 was related primarily to increased mowing costs. The last time the cemetery rates were evaluated and adjusted prior to March 2014 was 1989. For 25 years, the cemetery rates had been ignored, and the cemetery had been operating at a loss based on the rates previously assessed. The city had previously documented the cemetery's losses in its annual budgets but will prepare a summary of costs to support the current rates.*



City of Huntsville
Management Advisory Report - State Auditor's Findings

Moving forward, the city will periodically perform and document a detailed cost study of its cemetery costs, including mowing and upkeep of cemetery grounds, so that rates can be established to cover those expenditures without generating excessive profits. The cost study, statement of costs and work papers related thereto will be maintained as a public record subject to examination pursuant to Chapter 610, RSMo.

- 2.2 *The city approved the rate increases in May 2014. However, the rate increases were part of a complete overhaul of the ordinances relating to the city's cemetery. Overhaul of Chapter 135 of the City Code required several revisions before final passage of Ordinance No. 1328 on February 19, 2015.*

The city will refund all monies collected in excess of the old rate after the rate increase was approved by the City Council but before Ordinance No. 1328 was formally passed on February 19, 2015. In the future, the city will not assess new rates or fees until formally adopted by final ordinance.

- 2.3 *The city does not have a formal written bid policy; however, the city does not consider the cemetery mowing contract as one that requires competitive bidding under Sections 376.696, 67.150, 8.285, 8.679, 100.170, 88.700, 88.940, 229.050, 91.170, RSMo, or any other provisions of law that require competitive bidding. Moreover, when the mowing bids were reviewed, reasons for rejecting the lowest bid and for accepting what the city considered to be the "lowest and best" bid were articulated during the City Council meeting where the mowing bids were considered.*

The city understands the report recommendation that it consider adopting a formal written bid policy, but the city is aware of no legal authority requiring it to adopt such a policy.

Auditor's Comment

- 2.3 The minutes for the March 5, 2015, City Council meeting do not include any discussions regarding the mowing bids and the City Council's reasoning for the bid selected. The minutes only list the bids and the motion to approve the winning bid.

3. Budgets

City budgets do not include all elements required by state law and budget amendments were not prepared prior to incurring related expenditures.

3.1 Budgetary requirements

Annual budgets do not contain a budget message and debt service information as required by state law. In addition, the Sanitation Fund was budgeted with a deficit balance for the fiscal years ended June 30, 2013,



City of Huntsville
Management Advisory Report - State Auditor's Findings

through 2016. The Street and Alley Fund was also budgeted with a deficit balance for the fiscal years ended June 30, 2013, 2015, and 2016.

A complete and well-planned budget, in addition to meeting statutory guidelines, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in setting tax levies and utility rates and informing the public about city operations and current finances. Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and sets specific requirements for information to be included in the budget. The law also indicates that in no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.

3.2 Budget amendments

Budget amendments are not prepared before the original budgeted expenditure total is exceeded. The City Council waits until the end of the year to amend the budget to increase the expenditure budget to actual expenditure amounts, resulting in funds being overspent in total without proper authorization. Despite receiving budget to actual financial data at monthly meetings, the City Council has chosen to handle budget amendments in this manner.

For the fiscal year ended June 30, 2015, the city incurred unexpected expenses totaling \$79,585 for water meters and \$118,682 for a sewer line project in the Water Works/Sewer System Fund. These expenses were the primary cause of the fund being overspent by \$229,718. In addition, we noted budgeted expenditures were overspent for the Current (the city's general operating fund and entitled General Fund in audited financial statements), Parks and Recreation, Dedicated Fire, and Cemetery Funds by \$4,221, \$9,885, \$442, and \$10,198, respectively.

During the June 18, 2015, City Council meeting, the City Council amended the budget for all funds with expenditures in excess of budgeted amounts through a resolution that stated "budget to equal expenditures for 2014-2015."

Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget. Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted, but allows for budget increases if the governing body officially adopts a resolution setting forth the facts and reasons. Proper monitoring is necessary for the budget to be an effective management tool and comply with state law.



City of Huntsville
Management Advisory Report - State Auditor's Findings

Recommendations

The City Council:

- 3.1 Ensure annual budgets contain all information required by state law. In addition, the City Council should not approve deficit fund balances.
- 3.2 Prepare and approve budget amendments prior to incurring the related expenditures.

Auditee's Response

- 3.1 *The city recognizes that its past budgets have not contained a budget message and debt service information. Beginning with the 2017 budget (as the 2016 budgets has already been prepared), the city's budget will contain a budget message describing the important features of the budget and major changes from the preceding year. This will be in narrative form and included at the beginning of the city's budget. It will also include any payments planned on debt and balances of the city's debts, if any.*

With respect to the deficit fund balances, beginning with the 2017 budget, if the city's beginning fund balance plus revenues minus expenses is going to result in a negative fund balance, the city will budget transfers in from other funds as appropriate and authorized by law to ensure the budgeted ending fund balance does not become negative.

- 3.2 *The city acknowledges deficiencies in preparing regular budget amendments. While the city's practice has been to amend the budget at the end of each fiscal year so that budgeted expenditures equal actual expenditures, during the year, the budget has historically not been amended on a month-to-month basis to reflect situations where actual expenditures exceed budgeted expenditures. The city will begin implementing budget amendments when there are unexpected expenditures in a particular fund to reflect extra expenditures that were not originally budgeted for.*

The city recognizes that it cannot always stay on budget. However, from this point forward, the city will make monthly budget amendments, as necessary.

4. City Procedures

An unqualified candidate was allowed to run for City Council. City code is not properly updated and does not contain necessary information. In addition, the city made one-time payments to all employees at year-end.

4.1 Candidate qualifications

The City Council has not established adequate procedures to ensure all candidates for the position of councilperson are qualified to run for office. A current councilperson was allowed to be listed on the April 2016 election



City of Huntsville
Management Advisory Report - State Auditor's Findings

ballot despite not meeting statutory qualifications. The councilperson had pled guilty to a felony in 1997.

In addition, the councilperson was allowed to vote on 2 motions related to removing himself from the council. During the August 18, 2016, closed meeting he was allowed to vote on whether the council should refer the matter to the Randolph County Prosecuting Attorney and on whether the council should proceed under City Code Section 115.030 in removing him from office. As a result of the councilperson failing to abstain from voting on these motions, a potential conflict of interest exists.

Section 115.306.1, RSMo, provides no person shall qualify as a candidate for elective public office if he/she has been found guilty of or pled guilty to a felony or misdemeanor under federal law or to a felony under state law. In addition, City Council members serve in a fiduciary capacity and allowing a councilmember to vote on matters directly related to that member could create an actual or the appearance of a conflict of interest and should be avoided.

4.2 City code

City Code Section 125.320(3) indicates the municipal division shall assess the Crime Victims' Compensation fee as a sum of \$5; however, the Court collects \$7.50 as required by Section 595.045(1), RSMo. The Court Clerk indicated the municipal division has been collecting the \$7.50 fee since the state changed the rate in 2001. City code needs to be revised to authorize the statutorily required fee amount to prevent misunderstandings.

In addition, City Code Section 115.050 indicates each officer shall give a bond to the city in such sum and with such sureties as shall be designated by ordinance; however, neither city code nor ordinances state the amount of the bonds for any of the officers. Adequate bonding is necessary to reduce the risk of loss if funds are mishandled.

4.3 Bonuses

The City Council approved a year-end payment to all city employees. The minutes indicate this was a one-time payment of a \$100 net pay for employees with over a year service and \$50 net pay for half-time employees and employees under a year of service. These one-time payments appear to be bonuses paid to the city employees in December 2014 and 2015 and totaled approximately \$2,000 each year.

These payments appear to represent additional compensation for services previously rendered and, as such are in violation of Article III, Section 39, the Missouri Constitution, and contrary to Attorney General's Opinion No. 72, from June 14, 1955, which states, "...a government agency which derives its power and authority from the Constitution and laws of this state would be prohibited from granting extra compensation in the form of bonuses to public officers or servants after the service has been rendered."



City of Huntsville
Management Advisory Report - State Auditor's Findings

Recommendations

The City Council:

- 4.1 Establish procedures to ensure candidates for City Council possess the statutory qualifications for holding office and continue to consult with legal counsel to pursue a resolution to this matter. In addition, the City Council should require members to abstain from voting on matters directly related to those members.
- 4.2 Update city code to clearly indicate the fee being charged on court cases and the sum of each officer's bond.
- 4.3 Ensure all employee compensation is in compliance with state law.

Auditee's Response

- 4.1 *The City agrees that one councilperson who ran in the April 2016 election was not qualified to serve as a councilperson under Chapter 115 of the Missouri Revised Statutes, specifically, Section 115.306.1, RSMo. While the City has in place a mechanism for vetting potential candidates for felony convictions before they are placed on the ballot, because of amendments to Chapter 115 that went into effect in August 2015, the city's election candidate form was modified and the felony conviction inquiry was inadvertently omitted from the form that the April 2016 election candidates filled out.*

The City agrees that the subject councilperson failed to disqualify himself and abstain from the August 18, 2016 votes on measures to address his inability to meet the qualifications to serve on the City Council. The City believes that this was a conflict of interest and that the councilperson should have abstained from the August 18, 2016 closed session votes on whether to initiate impeachment proceedings or to refer the matter to the Randolph County Prosecutor's Office for initiation of quo warranto proceedings.

- 4.2 *The city has amended City Code Section 125.320(3) to reflect the Crime Victims' Compensation fee collected by the city. The city believes the sum of \$5 was inadvertently included in a City Code update by the city's third-party vendor when the city's Code books were updated in 2015.*

With respect to City Code Section 115.050, the city passed an ordinance (Ordinance No. 1344) in March 2016 designating the bond amounts posted by or on behalf of city officials.

- 4.3 *While the city views the cited payments as one-time payment incentives to retain its qualified employees for the subsequent calendar year rather than bonuses for services previously rendered,*



City of Huntsville
Management Advisory Report - State Auditor's Findings

the city understands the confusion and potential appearance of impropriety. Therefore, the city will no longer authorize one-time payments to city employees unless those one-time payments are for reimbursement of documented expenses incurred on behalf of the city.

City of Huntsville

Organization and Statistical Information

The City of Huntsville is located in Randolph County. The city was incorporated in 1821 and is currently a third-class city. The city employed 11 full-time employees and one part-time employee on June 30, 2015.

City operations include law enforcement, utilities (water and sewer), street maintenance, a cemetery, and park services.

Mayor and City Council

The city government consists of a mayor and an 8-member city council. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the city council, and votes only in the case of a tie. The Mayor and City Council, at June 30, 2015, are identified below. The Mayor is paid \$25 per month and an additional \$12.50 for each special meeting of the council and members of the city council are allowed \$5 per month and an additional \$3 for each special meeting of the council. The compensation of these officials is established by ordinance. The city council members do not accept the compensation.

Deborah Webster, Mayor
Tony Bell, Councilperson, Ward 1
Rhonda Wertz, Councilperson, Ward 1
Keyla Carnahan, Councilperson, Ward 2
Billy Aldridge, Councilperson, Ward 2
Connie Kissell, Councilperson, Ward 3
Frank Miller, Councilperson, Ward 3
Lin Block, Councilperson, Ward 4
Pamela Hopper, Councilperson, Ward 4
Holly Wooldridge, Councilperson Alternate, Ward 4

Financial Activity

A summary of the city's financial activity for the year ended June 30, 2015, follows:

City of Huntsville
Schedule of Revenues, Expenditures, and Changes in Cash Balances
Year Ended June 30, 2015

	Current Fund	Sanitation Fund	Parks and Recreation Fund	Dedicated Fire Fund	Street and Alley Fund	Water Works/Sewer System	Cemetery Fund	Total
RECEIPTS								
Property taxes	\$ 80,590	0	10,695	14,989	0	0	19,864	126,138
Sales taxes	77,470	0	0	0	38,736	0	0	116,206
Motor fuel and vehicle taxes	0	0	0	0	19,238	0	0	19,238
Institutional tax	55	0	7	10	0	0	14	86
Local use tax	9,945	0	0	0	0	0	0	9,945
Franchise tax	54,898	0	0	0	83,492	0	0	138,390
Gas tax	0	0	0	0	41,331	0	0	41,331
Merchants license and permits	2,745	0	0	0	175	0	0	2,920
Solid Waste	0	118,331	0	0	0	0	0	118,331
Water	0	0	0	0	0	497,732	0	497,732
Sewer	0	0	0	0	0	102,773	0	102,773
Cemetery association	0	0	0	0	0	0	5,000	5,000
Fire association	0	0	0	3,891	0	0	0	3,891
Penalties	1,799	0	239	340	0	17,588	443	20,409
Donations	500	0	0	0	0	0	150	650
Court fines and costs	11,671	0	0	0	0	0	0	11,671
Interest	66	1	10	67	1	410	30	585
Rent	1,903	0	0	0	0	0	0	1,903
Sale of space	0	0	0	0	0	0	1,875	1,875
Miscellaneous	1,652	0	7	26	1,925	0	134	3,744
Transfers in	357	0	0	0	0	0	0	357
Total Receipts	243,651	118,332	10,958	19,323	184,898	618,503	27,510	1,223,175
DISBURSEMENTS								
Salaries and fringes	131,110	0	5,477	24	82,301	208,315	383	427,610
Supplies and postage	1,760	0	181	18	313	3,785	26	6,083
Water purchases	0	0	0	0	0	183,487	0	183,487
Sewer line project	0	0	0	0	0	123,962	0	123,962
Debt service	0	0	0	0	5,856	57,386	0	63,242
Contract services	0	93,549	0	0	0	0	0	93,549
Insurance	33,984	0	313	4,996	26,021	70,763	497	136,574
Vehicles	21,524	0	0	1,816	8,638	13,585	0	45,563
Maintenance	13,726	72	9,653	493	35,071	57,112	178	116,305
Legal fees	10,790	30	1,809	666	270	375	1,131	15,071
Utilities	4,976	0	976	3,279	24,510	12,640	0	46,381
Elections	1,732	0	20	0	73	189	20	2,034
New equipment	6,222	0	502	1,399	229	81,927	0	90,279
Clothing allowance	2,541	0	0	0	0	570	0	3,111
Telephone charges	3,359	0	0	319	859	1,197	0	5,734
Animal control	5,262	0	0	0	0	0	0	5,262
Audit	0	0	0	0	0	6,300	0	6,300
Dues and subscriptions and seminars	4,225	0	20	1,115	706	4,996	0	11,062
Mowing	0	0	3,770	0	0	0	31,900	35,670
Grave marking	0	0	0	0	0	0	425	425
Miscellaneous	761	4	15	106	8	657	10	1,561
Transfer out	357	0	0	0	0	0	0	357
Total Disbursements	242,329	93,655	22,736	14,231	184,855	827,246	34,570	1,419,622
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,322	24,677	(11,778)	5,092	43	(208,743)	(7,060)	(196,447)
CASH, JULY 1, 2014	190,508	(16,653)	36,527	72,612	10,424	830,555	41,397	1,165,370
CASH, JUNE 30, 2015	\$ 191,830	8,024	24,749	77,704	10,467	621,812	34,337	968,923



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Goodman Area Fire Protection District

Goodman Area Fire Protection District

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Board of Directors
Goodman Area Fire Protection District

We have conducted follow-up work on certain audit report findings contained in Report No. 2015-130, *Goodman Area Fire Protection District* (rated as Poor), issued in December 2015, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the district about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the district, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by district officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the district included budgets, receipt and disbursement records, capital asset records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed by September 2016.

Nicole R. Galloway, CPA
State Auditor

Goodman Area Fire Protection District

Follow-Up Report on Audit Findings

Status of Findings

- | | |
|--|--|
| 1. Conflicts of Interest, Debit Cards, and Online Transactions | Some activities involving elected Board members created actual, or at the very least, the appearance of conflicts of interest. Significant improvement was needed in the district's handling of debit cards and online transactions. Improper use of district debit cards and online purchases, including personal and unsupported purchases, was identified. |
| 1.1 Conflicts of interest | <p>Some activities involving the Board President¹ and another Board member created actual, or at the very least, the appearance of conflicts of interest.</p> <ul style="list-style-type: none">• The district did not solicit bids for any of the services provided by the Board President or his company. During 2013, the district paid a company owned by the Board President for backhoe and excavating services and issued a check to him personally for plumbing services. Two of the checks issued to his business exceeded \$500. Also, invoices submitted were not always itemized or adequately detailed. During 2014, the district did not solicit bids for a used fire truck and fire extinguisher brackets purchased from the Board President. He also did not abstain from approving payments to his company or himself or abstain when the Board specifically voted to use his company for some of these services.• The district purchased supplies using district debit cards from a local company owned by another Board member without soliciting bids. Detailed invoices showing the items purchased were not retained for some of the debit card transactions. While the transactions did not violate state law related to conflicts of interest, the Board member did not abstain from approving these payments. |

Recommendation

The Board of Directors refrain from entering into business transactions with related parties unless such services or transactions are properly bid in accordance with state law and the selection process is documented and ensure applicable Board members abstain from voting on such decisions.

Status

Implemented

The Board implemented a purchasing policy in April 2016, which includes a section outlining conflict of interest considerations. We reviewed district disbursement records and meeting minutes for May, June, and July 2016, and no payments were made to the Board President or his businesses. There were payments to another Board member's business; however, the Board member abstained from voting to approve these purchases and the amounts

¹ Jim Morgan served as Board Vice President from 2012 to April 2014, and was appointed as Board President in April 2014, and currently serves in that position. We have referred to him throughout this follow up report as the Board President.



Goodman Area Fire Protection District
Follow-up Report on Audit Findings
Status of Findings

paid were less than the per transaction or per annum statutory amounts that require bidding when doing business with elected officials.

1.2 Debit cards

The district did not have a policy restricting or limiting the use of debit cards. The district's debit cards were used to make cash withdrawals, pay fees for calls using Skype, and pay vendor invoices that did not show the district as the customer. The Board President circumvented debit card purchase limits by splitting a purchase. The district debit cards were used to make several food purchases; however, the district did not have a formal policy regarding food purchases and some invoices had no explanation of the purpose of the meal purchases. Checkout procedures had not been established for the district's debit cards. Use of the debit cards by Board members (without adoption of a resolution), district vendors, and officers violated district bylaws.

Recommendation

The Board of Directors evaluate the need for each debit card and adopt formal policies and procedures for debit card use. In addition, the Board should develop a comprehensive policy regarding food purchases.

Status

Implemented

The Board evaluated the need for each debit card and policies and procedures for debit card use are included in the district's purchasing policy implemented in April 2016. The policy prohibits use of the debit cards for cash advances or personal purchases and details the supporting documentation required to be submitted for each purchase. The policy also addresses debit card assignments and check out procedures for authorized users, and the district's current card assignments and authorized users are in accordance with policy.

We reviewed debit card transactions posted to the May and June 2016 bank statements. No cash advances occurred, vendor invoices listed the district as the customer, and no purchases were split.

The Board also implemented a food and beverage policy in January 2016, which allows the purchase of food and beverages for incidents, training, and district business at the approval of the Board President, Fire Chief, or commanding officer.

1.3 Online transactions

The Board President used the district's eBay account to make district, personal, and company purchases. Due to the similar nature of some items purchased, we could not always determine which eBay account transactions were for the district. He also used the district's debit card to pay for personal purchases made online and reimbursed the district for these purchases. However, by using the district's eBay account and debit card he may have avoided paying sales tax.



Goodman Area Fire Protection District
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The Board of Directors ensure the district's eBay account and debit card are used only for district purchases, and evaluate the need for online purchases. Formal policies and procedures regarding online transactions should be adopted.

Status

Partially Implemented

The Board has not implemented adequate procedures to ensure the district's eBay account is used only for district purchases. While the Board documents its review of a list of bills and the bank statements monthly and reviews the transactions for personal use, it does not obtain/review the detailed eBay account transactions report. Board members indicated they evaluated the need for online purchases and plan to continue such purchases with improved controls. As discussed in section 1.2, the district's newly adopted purchasing policy clearly prohibits personal use of district debit cards. However, with regard to online accounts and transactions, the policy vaguely states "all online internet accounts will be established as its own account," and provides no further procedures addressing the handling or reviewing of online transactions, such as who has access to the district's eBay account, how online purchases are to be made (through debit card or PayPal), and documentation to be obtained and reviewed to ensure the online account is used only for district business. We requested and reviewed an eBay account transaction report for May and June 2016, and did not identify any personal purchases being made from the district's online account.

**2.1 Capital Assets - Capital
asset records**

The district did not maintain records of capital assets, including land, buildings, vehicles, equipment, and other personal property. The district did not always tag or otherwise identify capital assets as district property or perform physical inventories of district property. Some district assets were tagged as property of the Goodman Volunteer Fire Department and others as property of the Goodman Area Fire Protection District. Other district assets were tagged with a unique barcode and number; however, the district did not account for the assigned barcodes and numbers.

Recommendation

The Board of Directors ensure capital asset records are maintained, assets are properly tagged for identification, and annual physical inventories are performed and compared to detailed records.

Status

Implemented

A complete physical inventory of land and buildings, vehicles, equipment, and other personal property was performed and all items were properly tagged. The inventory was completed in July 2016. Board members indicated annual physical inventories will be completed in the future and compared to the capital asset listing.



Goodman Area Fire Protection District
Follow-up Report on Audit Findings
Status of Findings

2.2 Capital Assets - Capital asset storage

Numerous district assets were maintained in various locations on the Board President's personal 200 acre property, and a district generator was maintained at the personal residence of the district's Lieutenant. The Board President also operated a backhoe and excavating company on his property and rebuilt/repared personal and district vehicles and equipment using new and used parts, salvaged vehicles, and equipment stored at his property. District assets were not always shielded from weather and vegetation growth. The district did not have specific plans for the use of many of these district assets, and had not made efforts to identify unneeded items or taken any action to sell or salvage unneeded or unused items, as appropriate. It is questionable why the district was storing assets on personal property when the district maintained buildings and land at 3 different locations within the district. The district did not have a written agreement detailing issues related to the storage of the district assets, such as access and liability.

Recommendation

The Board of Directors ensure capital assets are stored on district property and dispose of unneeded/used assets. Until district assets can be relocated or properly disposed, the Board should enter into a written agreement with President Morgan regarding access to and the storage of district assets.

Status

Partially Implemented

Numerous district assets still remain at the personal residence of the Board President or at the personal residence of the district's Captain, formerly the district's Lieutenant. The Board evaluated and determined that some district assets still need to be stored at locations not owned by the district due to storage limitations. The Board entered into written agreements with the Board President and the district's Captain regarding storage of the district's assets, which include a list of assets stored at their residences. The agreements expire in April 2017, but the Board indicated the agreements will be renewed annually as necessary. While these agreements indicate the Board President and the district's Captain will exercise reasonable care to protect property from theft or damage, no additional steps were taken to further secure the assets and assets are still being commingled with personal property. The Board President indicated district officials plan to identify unused/unneeded items and dispose of them by the end of 2016. The Board indicated the current arrangements will be reconsidered, as assets are disposed of and when storage agreements are renewed.

3.1 Disbursements - Approval process

The Board's disbursement approval process needed significant improvement. The Board did not maintain a list of bills approved, did not properly approve debit card transactions and ACH transactions, and did not document its approval of individual invoices. In addition, the Board did not receive a copy of the district's bank statement for review, which could have assisted the Board in reviewing all debit card transactions and ACH transactions made from the bank account.



Goodman Area Fire Protection District
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The Board of Directors ensure complete lists of bills are prepared; the Board's approval is reflected on the lists; the approved list of bills is compared to invoices, checks written, and debit card transactions posted; and the lists are retained.

Status

Implemented

Beginning March 2016, the Board receives a complete list of bills (including debit card and ACH transactions) for approval at Board meetings. The Board documents its approval each month and retains the approved lists. Board members indicated the list of bills is compared to invoices, checks written, and debit card transactions posted before they approve the list of bills for payment. The Board also receives and documents its review of district bank statements each month.

4.1 Accounting Controls, Procedures, and Records - Segregation of duties

Accounting duties were not segregated, and there was no supervisory review of the work performed by the Board Secretary/Treasurer, who was responsible for all record-keeping duties of the district.

Recommendation

The Board of Directors segregate the accounting duties to the extent possible and ensure documented independent reviews of the record-keeping functions are performed.

Status

Implemented

The Board hired a secretary to assist the Board Secretary/Treasurer. The Board Secretary/Treasurer prepares and distributes checks, while the secretary prepares the list of bills from the checks written, debit card invoices, and online purchase invoices. They prepare the bank reconciliations together. The Board documents its review of the monthly list of bills to be paid, the bank reconciliation, and bank statements.

4.2 Accounting Controls, Procedures, and Records - Receipt slips

The district did not issue receipt slips for monies received in accordance with district bylaws, which require the Treasurer to receive and give receipts for money due and payable to the district. Although monies received were recorded in the district's computerized accounting system, the method of payment was not denoted and the system did not assign a receipt and/or transaction number.

Recommendation

The Board of Directors ensure prenumbered receipt slips are prepared for all monies received and reconciled to the composition of receipts recorded in the accounting system and deposits.



Goodman Area Fire Protection District
Follow-up Report on Audit Findings
Status of Findings

Status

Partially Implemented

The Board Secretary/Treasurer prepared prenumbered receipt slips for 2 receipts totaling \$10 of the \$2,976 received during May, June, and July of 2016. Receipt slips were not prepared for property tax payments received by mail and rent payments. The Board adopted new bylaws in April 2016; however, the new bylaws do not address accounting policies and procedures. The Board President indicated the Board plans to adopt a resolution regarding accounting policies in October 2016. The Board indicated the district discontinued accepting cash receipts; therefore, the reconciliation of the composition of receipts recorded in the accounting system and deposits is no longer necessary.

5. Budgetary Procedures

The Board did not have adequate procedures to prepare or monitor budgets.

District budgets prepared did not contain all required elements. The budgets presented only anticipated revenues and expenditures. The budgets did not include a budget message, and actual or budgeted amounts for the 2 preceding years. In addition, beginning available resources and estimated and actual ending available resources were not included in the budgets.

The Board did not adequately monitor budget-to-actual revenues and expenditures, and actual expenditures exceeded budgeted amounts.

Recommendation

The Board of Directors prepare annual budgets that contain all information required by state law, and ensure the budget and financial condition are adequately monitored and monthly financial statements have adequate detail.

Status

Not Implemented

The district's budget for the year ended December 31, 2016, did not contain all required elements. It did not include a budget message, budgeted amounts for 2015, or actual amounts for 2014. In addition, the budget only included actual amounts for 10 months of 2015 and did not include beginning available resources and estimated and actual ending available resources. The Board has taken no steps to adopt an amended 2016 budget to include all the required elements. The Board President indicated the Board would include all of the required information in the 2017 budget.

The Board has taken no steps to adequately monitor the budget and financial condition of the district. The Board President indicated a detailed monthly financial statement would be implemented after preparation of the 2017 budget.



Goodman Area Fire Protection District
Follow-up Report on Audit Findings
Status of Findings

7. **Electronic Data Security** The district did not backup financial and other computer system data leaving the district's electronic data at risk if data could not be recovered. The district did not have antivirus software installed on the computer systems to ensure protection of district data.

Recommendation

The Board of Directors should ensure computer data is backed up periodically and stored at an off-site location. In addition, the Board should ensure the district's computer systems are protected by installing and regularly updating antivirus software, and perform system scans to detect destructive viruses.

Status

Partially Implemented

Board members indicated computer data is backed up monthly, but is not stored at an off-site location. Board members also indicated the district purchased and installed antivirus software, which regularly updates and performs system scans to detect viruses.



Office of Missouri State Auditor
Nicole Galloway, CPA

**Monthly Report on Municipal Court
and Revenue Filings
September 2016**

Monthly Report on Municipal Court and Revenue Filings

September 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this compilation is to report the filing status for the cities, towns, and villages with a March 31, 2016, fiscal year end, that were required to file a financial report by September 30, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030, and, when applicable, a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180. The filing status for these 54 cities, 1 town, and 27 villages are presented in summary on page 3 and by individual entity in Appendix A. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them.

Section 479.362, RSMo, provides that the State Auditor's Office (SAO) notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the addendum provision of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, and will not be transmitting any information related to the addendum under Section 479.359, RSMo, to the Department of Revenue.

This report also includes the updated filing status for cities, towns, and villages that filed at least one of the items (financial report, addendum, or certification) in September 2016, after their filing deadline. The filing status for these 11 cities and 2 villages is presented in summary on page 3 and by individual entity in Appendix B, Appendix C, Appendix D, and Appendix E.

A handwritten signature in black ink, reading "Nicole R. Galloway", is positioned above the printed name of the State Auditor.

Nicole R. Galloway, CPA
State Auditor

The following staff participated in the preparation of this report:

Deputy State Auditor: Keriann Wright, MBA, CPA
General Counsel: Paul Harper, JD
Senior Analyst: Jill Wilson, MBA

Monthly Report on Municipal Court and Revenue Filings

September 2016

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359.1, RSMo, effective August 28, 2015, requires every county, city, town, and village to annually calculate the percentage of its annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations.

Section 479.359.3 provides that all municipalities file an addendum to the annual financial report containing (1) annual general operating revenue; (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations; and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the provisions of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, but has identified entities filing addendums.

Section 479.360, RSMo, effective August 28, 2015, requires every county, city, town, and village that operates a municipal court to file with its annual financial report a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. 15 CSR 40-3.180 provides the procedure to file the municipal court certification. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

This report includes the filing status for the 54 cities, 1 town, and 27 villages with a fiscal year end of March 31, 2016, whose financial reports or certifications were due by September 30, 2016. Of the 82 entities, 41 filed an annual financial report and 19 entities filed an addendum. A municipal court certification was required to be filed by 36 of the 82 entities, of which 18 were filed. No counties had to file within the reporting period of this report.

This report also includes the filing status for 11 cities and 2 villages that filed at least one of the items (financial report, addendum, or certification) in September 2016, after their filing deadline. Of these entities, 6 filed an annual financial report, 2 filed an addendum, and 6 filed a municipal court certification.

Appendix A
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due September 30, 2016

Fiscal Year Ended March 31, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Belton	No	Yes	Yes
City of Bethany	Yes	—	n/a
City of Blackwater	No	—	n/a
City of Boonville	Yes	—	n/a
City of Butler	No	—	n/a
City of Calhoun	Yes	—	n/a
City of California	Yes	Yes	Yes
City of Centralia	Yes	—	n/a
City of Chaffee	No	Yes	Yes
City of Chillicothe	No	—	Yes
City of Concordia	Yes	—	No
City of Crystal City	No	—	No
City of East Prairie	Yes	—	No
City of Glenaire	No	—	n/a
City of Hardin	No	—	Yes
City of Hollister	Yes	—	No
City of Holt	No	—	n/a
City of Iberia	Yes	—	No
City of Jennings	Yes	Yes	No
City of Jonesburg	Yes	—	n/a
City of Kahoka	No	—	n/a
City of Kearney	Yes	—	Yes
City of Kirkwood	Yes	Yes	No
City of Leadwood	No	—	Yes
City of Lexington	Yes	—	No
City of Licking	No	—	No
City of Lohman	No	—	n/a
City of Mansfield	Yes	—	Yes
City of Martinsburg	Yes	—	No
City of McKittrick	No	—	n/a
City of Mendon	No	—	n/a
City of Monett	Yes	—	No
City of Mosby	Yes	—	n/a
City of Napoleon	Yes	—	Yes
City of Norborne	Yes	—	n/a
City of Oran	No	—	n/a
City of Osborn	Yes	—	n/a
City of Paris	Yes	—	n/a
City of Perryville	Yes	Yes	Yes
City of Pierce City	No	Yes	Yes
City of Pilot Grove	No	Yes	n/a
City of Pleasant Hill	Yes	—	No
City of Rock Hill	Yes	Yes	Yes
City of Sedalia	Yes	Yes	Yes
City of Spickard	No	Yes	n/a

Appendix A
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due September 30, 2016

Fiscal Year Ended March 31, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Sweet Springs	Yes	Yes	Yes
City of Tarkio	Yes	—	No
City of Triplett	Yes	—	n/a
City of Unionville	No	—	n/a
City of Velda Village Hills	Yes	Yes	Yes
City of Verona	Yes	—	No
City of Wellsville	No	—	No
City of West Plains	Yes	—	No
City of Westphalia	No	—	n/a
Town of Paynesville	No	—	n/a
Village of Agency	Yes	—	n/a
Village of Arbela	No	—	n/a
Village of Arrow Rock	No	Yes	n/a
Village of Benton City	Yes	—	n/a
Village of Bethel	No	Yes	n/a
Village of Claycomo	No	Yes	Yes
Village of Corning	No	—	n/a
Village of Dover	Yes	—	n/a
Village of Eolia	Yes	—	n/a
Village of Gibbs Village	No	Yes	n/a
Village of Grayson	No	—	n/a
Village of Harwood	No	—	n/a
Village of Hillsdale	No	—	Yes
Village of Leslie	No	Yes	n/a
Village of Lewis & Clark	Yes	—	n/a
Village of Lock Springs	No	—	n/a
Village of Mount Leonard	No	—	n/a
Village of Oakview	Yes	—	Yes
Village of Old Appleton	Yes	—	n/a
Village of Olean	No	—	n/a
Village of Pocahontas	No	—	n/a
Village of Rhineland	Yes	—	n/a
Village of Scotsdale	No	—	n/a
Village of Sunrise Beach	No	—	No
Village of Sycamore Hills	Yes	—	No
Village of Vista	No	—	n/a
Village of Zalma	No	Yes	n/a
Total Filed	41	19	18
Total Not Filed	41	0	18
Total N/A	0	0	46

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

n/a Entities without a municipal judge are not required to file a certification.

Appendix B

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due August 31, 2016

Filed in September 2016

Fiscal Year Ended February 29, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Tindall	Yes	—	n/a
Village of Chain of Rocks	Yes	Yes	n/a
Total Filed During September 2016	2	1	0

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

n/a Entities without a municipal judge are not required to file a certification.

Appendix C

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due June 30, 2016

Filed in September 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Armstrong	No	—	Yes
City of Billings	**	—	Yes
City of Cardwell	No	—	Yes
City of Fairview	**	—	Yes
City of Gallatin	Yes	—	**
City of Morehouse	**	—	Yes
City of Ozark	**	—	Yes
City of Poplar Bluff	Yes	**	**
Village of Leawood	Yes	—	No
Total Filed During September 2016	3	0	6

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by June 30, 2016

Appendix D

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due March 31, 2016

Filed in September 2016

Fiscal Year Ended September 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Sugar Creek	***	Yes	***
Total Filed During September 2016	0	1	0

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

*** Filed after March 31, 2016, but before September 1, 2016

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due December 31, 2015

Filed in September 2016

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*^	Filed Certification^
City of Delta	Yes	—	**
Total Filed During September 2016	1	0	0

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by December 31, 2015

^ 15 CSR 40-3.170 and 15 CSR 40-3.180 have provisions that do not require the use of the SAO addendum and certification forms by cities, towns, or villages with a fiscal year end before August 28, 2015.



Office of Missouri State Auditor
Nicole Galloway, CPA

**Monthly Report on Transportation
Development District Filings
September 2016**

Monthly Report on Transportation Development District Filings

September 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this compilation is to report the filing status for the transportation development districts (TDD) with a March 31, 2016, fiscal year end, that were required to file a financial report by September 30, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030. Section 105.145, RSMo, provides that the State Auditor's Office (SAO) notify the Department of Revenue if any TDD fails to timely submit a copy of its annual financial statement.

The filing status for the 1 TDD is presented in summary on page 3 and by individual entity in Appendix A. This compilation is limited to presenting information submitted to our office.

A handwritten signature in black ink, reading "Nicole R. Galloway", is positioned above the printed name of the State Auditor.

Nicole R. Galloway, CPA
State Auditor

The following staff participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
General Counsel:	Paul Harper, JD
Senior Analyst:	Jill Wilson, MBA

Monthly Report on Transportation Development District Filings

September 2016

Executive Summary

Executive Summary

The Missouri Transportation Development District Act, Sections 238.200 to 238.725, RSMo, governs transportation development districts (TDDs). TDDs are political subdivisions whose purpose is to fund, promote, plan, design, construct, improve, maintain, and operate one or more projects or to assist in such activity. TDDs are authorized to assess both sales and property taxes to fund the completion of the projects.

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 105.145, RSMo, effective August 28, 2016, requires the State Auditor to notify the Department of Revenue if any TDD fails to timely submit a copy of its annual financial statement. Any TDD that fails to timely submit the annual financial statement shall be subject to a fine of \$500 per day upon notice by the Department of Revenue, unless the TDD has gross revenues less than \$5,000 in the fiscal year of the annual financial statement.

Effective August 28, 2016, Section 238.222, RSMo, requires all TDDs existing at that time to submit the contact information for the current board of directors and their date of organization to the State Auditor before December 31, 2016. All TDDs formed after August 28, 2016, have 30 days from the first meeting of the board to submit this information to the State Auditor.

This report includes the filing status for the 1 TDD with a fiscal year end of March 31, 2016. The TDD did not file an annual financial report by September 30, 2016. No TDDs filed contact information for their board of directors or dates of organization during this reporting period.

Appendix A

Status of Transportation Development Districts Required to File Annual Financial Reports
Reports Due September 30, 2016

Fiscal Year Ended March 31, 2016

Reporting Entity	Filed Annual Financial Report
The 210 Hwy TDD	No
Total Filed	0
Total Not Filed	1



Office of Missouri State Auditor
Nicole Galloway, CPA

City of Rich Hill



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Rich Hill

Monitoring Financial Condition	The Board of Aldermen (Board) has not been monitoring the financial condition of the city closely. Transfers from some utility funds are being made to subsidize the Police and Street Funds, which had negative balances, and restricted street revenues are being placed in the General Fund rather than the Street Fund. The Board is not receiving detailed information about cash balances for each fund throughout the year and there is no documentation to support discussion of cash flow problems or the reasons for transferring monies from the utility funds.
Utilities	Periodic formal cost studies of utility rates have not been performed and rates have not been increased or decreased for any utility services for the past several years. Controls over non-monetary adjustments posted to customers utility accounts need improvement. During 2015, the city did not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid for any of the utility services. City personnel are not always following the city's ordinances regarding late utility payments and utility shut off. Exceptions occurred for an employee in 2015 and relatives of some elected officials. City personnel are not sending applicable accounts to a collection agency or making other efforts to collect old accounts receivables before reclassifying the accounts as inactive and writing off the balance due. The city does not reconcile the list of customer utility deposits to city accounting records.
Accounting Controls	Several city funds had negative cash balances at December 31, 2015. The Board has not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work performed by city office personnel are performed. Bank reconciliations were either not performed or were not retained for the city's 2 checking accounts (operating and perpetual care) during 2015. The city does not properly account for all manual receipt slips issued. Receipt slips are not issued for some monies received and the change fund is not kept at \$100 as set by city policy.
Disbursements	The Board's approval process for disbursements is not adequate and the Board is not presented adequate financial reports by city personnel when making spending decisions. The city does not always receive or retain supporting documentation for disbursements. The city does not always solicit competitive bids or proposals for goods and services and the city ordinance for procurement needs to be clarified to indicate when bidding is required. The city uses unsupported estimates to allocate payroll costs among various funds and there is no documentation to explain the allocation of some disbursements among restricted city funds. The city does not have written contracts with some service providers and certain outside parties, or could not locate the contracts. In January 2015, the city purchased approximately 8 acres, along with various buildings and garages from the Missouri Department of Transportation for \$15,000, plus some utility costs, without obtaining an appraisal. The Board has not adequately documented its plans for utilizing the buildings and land.
Restricted Monies	The city receipts some restricted street monies in the General Fund, rather than the Street Fund, does not track these restricted monies within the General Fund, and did not spend any money during 2015 from the General

Fund for street purposes. The city did not accurately allocate property taxes among various city funds.

Financial Reporting	City personnel have not filed annual financial reports with the State Auditor's Office as required by state law. The city did not comply with state law regarding publishing financial statements.
Sunshine Law	On multiple occasions open meeting minutes documented a topic to be discussed in a closed meeting that was not addressed in the meeting. Board meeting minutes are not signed. In addition, the President of the Board was selected by the Mayor at the September 22, 2015, meeting, rather than by the Board, and the minutes do not indicate approval of this action.
Mayoral Powers	The Mayor improperly removed the former Fire Chief from office and appointed another individual to that position without approval from the Board, in violation of city ordinance and state law.
City Library	City library monies are held in the custody of both the city and the Library Board. Library property taxes received by the city are not always remitted timely to the Library Board. The Mayor has not been appointing new members to the Library Board annually but rather the Library Board has been making the appointments. The annual report filed with the Library Board and Board of Alderman does not contain all elements required by state law and has not been filed with the State Library as required.
Ordinances and Budgets	Some current city practices conflict with city ordinance and ordinances could not be located to support restrictions placed on some city funds through the passage of property and sales taxes. City budgets do not include all statutorily required elements and are not always approved timely.
City Vehicle and Fuel Usage	The city has not established effective monitoring procedures over fuel and vehicle and equipment use, and an accurate listing of all vehicles and equipment was not maintained.
Electronic Data Security	The city has not established adequate password controls to reduce the risk of unauthorized access to computer systems and electronic data. Employees are not required to change passwords on a periodic basis to help ensure they remain known only to the assigned user and to reduce the risk of a compromised password. In addition, backup of financial data is performed, but is stored on site in a fireproof safe.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

City of Rich Hill

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Rich Hill, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Rich Hill. We have audited certain operations of the city in fulfillment of our duties. The city engaged DSWA, Certified Public Accountants, P.C., (CPAs), to audit the city's financial statements for the year ended December 31, 2014. To minimize duplication of effort, we reviewed the report of the CPA firm for the year ending December 31, 2014, since the audit for the year ending December 31, 2015, had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

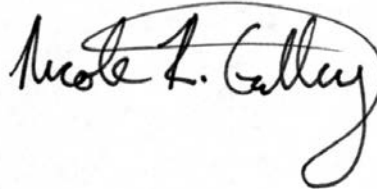
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Rich Hill.

An additional report, No. 2016-062, *Twenty-Seventh Judicial Circuit, City of Rich Hill Municipal Division*, was issued in August 2016.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly distinguishable.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Rex Murdock, M.S.Acct.
Audit Staff:	Susan D. Mason, CPA

City of Rich Hill

Management Advisory Report

State Auditor's Findings

1. Monitoring Financial Condition

The Board of Aldermen (Board) has not been monitoring the financial condition of the city closely, is not receiving detailed information showing cash balances for each fund, and has relied on transfers from some utility funds to balance the city's budget in recent years.

The Electric and Refuse Funds have been used to subsidize the Police and Street Funds in recent years. During 2014, the city transferred \$83,000 to the Police Fund and \$40,000 to the Street Fund from the Electric Fund, while \$27,940 was transferred from the Refuse Fund to the Street Fund. City personnel provided no justification for these transfers of restricted utility monies. The General Fund should be used to cover shortfalls in other funds because those monies are unrestricted, but the city did not have a sufficient fund balance in the General Fund during 2014 to make these transfers. The 2015 budget shows similar transfers were again planned to the Police and Street Funds from the Electric and Refuse Funds, along with smaller planned transfers from the Electric Fund to the Fire and Cemetery Funds. There were also planned transfers from the General Fund totaling \$43,960 to a variety of funds, including the Police and Street Funds. However, these transfers were not made by fiscal year end because city personnel were unable to post the transfers to the accounting system.

In addition, city officials placed \$51,000 of restricted street monies in the General Fund during 2015, rather than the Street Fund. Had the planned transfers been made and this restricted street money placed in the correct fund, the General Fund would not have had a sufficient balance to cover the Police Fund deficit. Both the Police and Street Funds were operating at a deficit at the end of 2015 and those deficits increased during the first half of 2016 as shown in the following table:

Fund	Cash Balance	
	December 31, 2015	June 30, 2016
General Fund	\$ 122,291	168,961
Police Fund	(74,135)	(117,002)
Street Fund	(3,676)	(23,190)

While the 2015 transfers were budgeted and approved by the Board, the budgets do not contain cash balances and financial reports showing fund balances are not prepared and provided to Board members at their meetings. Without having adequate financial data, it is apparent the Board is not monitoring the financial condition of the various city funds throughout the year. There is no documentation to support discussion of these cash flow problems or the reasons for transferring the monies from the utility funds.

In August 2016, subsequent to the end of our audit fieldwork, the city transferred another \$160,000 and \$130,000 from the Electric Fund to the Police and Street Funds, respectively, to cover deficits in those funds. No



City of Rich Hill
Management Advisory Report - State Auditor's Findings

documentation or justification for these transfers was provided, other than city personnel indicating the money was necessary to cover the deficits in those funds.

Numerous internal control weaknesses, lax controls over expenditures, poor budgeting practices, and lack of financial reporting to the Board have been identified and discussed in more detail throughout our Management Advisory Report (MAR). These weaknesses and lack of monitoring by the Board have put the city in financial difficulty.

It is essential the Board address the financial condition of the various city funds in both the immediate and long-term future. Restricted utility funds should not be used to subsidize other funds. The Board should reduce spending where possible, evaluate controls and management practices to ensure efficient use of resources, monitor detailed financial data that includes cash balances for each fund, and closely monitor budgets.

Recommendation

The Board of Aldermen ensure monthly detailed financial data is provided to them, perform long-term planning and closely monitor and take necessary steps to improve the financial condition of the various city funds. In addition, the Board of Aldermen should discontinue subsidizing city funds with utility monies.

Auditee's Response

The Board is now provided additional financial data monthly and we are working with the City Clerk to closely monitor the financial condition of all city funds. We will discontinue subsidizing operations with utility monies and plan to develop a more effective method of allocating costs among the various city funds.

2. Utilities

There are significant weaknesses in the city's utility operations. The city provides water, wastewater, electric, and refuse services, and accounts for the financial activity of each in a separate fund. The city collected approximately \$1.8 million in utilities revenues during the year ended December 31, 2015.

2.1 Rates

Periodic formal cost studies of utility rates have not been performed and rates have not been increased or decreased for any utility services for the past several years. Although utility rates have not been changed, the Electric and Refuse Funds continue to subsidize other city funds while still having large accumulated cash balances. The Electric Fund and Refuse Fund had accumulated balances of approximately \$600,000 and \$157,000, respectively, as of June 30, 2016. Electric, water and wastewater, and refuse rates have not been adjusted since 2007, 2008, and 2012, respectively. The city should perform and document a detailed cost study of its various utility costs, including depreciation, and establish rates to cover the total cost of operations without generating excessive profits.



City of Rich Hill
Management Advisory Report - State Auditor's Findings

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of costs that shows the increase is necessary to cover costs of providing the service. To ensure utility rates are set to cover the cost of providing the related services, the city should perform and document a periodic detailed cost study of each of its utility costs, including depreciation, and establish rates to cover the total cost of operations without generating excessive profits.

2.2 Non-monetary adjustments

Controls over non-monetary adjustments posted to customer utility accounts need improvement. Non-monetary adjustments are any transactions where monies are not received; however, the account balance has been changed in the accounting records, such as waiving customer late charges, adjusting usage for inaccurate meter readings, or reducing a balance due to water leaks. Non-monetary adjustments posted to the system are not always reviewed and approved by an independent person and documentation of reasons these adjustments are necessary is not always retained. In addition, a comparison of approved adjustments to adjustments actually made to the system is not performed by an independent person.

Non-monetary adjustments should be verified and approved by a person independent of the person posting these transactions to ensure they are legitimate. Considering the risks associated with non-monetary adjustments, the Board should consider monitoring all such transactions.

2.3 Accounts receivable reconciliations

During 2015, the city did not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid for any of the utility services.

Monthly reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected and corrected timely.

2.4 Shut off procedures and late charges

City personnel are not following the city's ordinances regarding late utility payments and utility shut off. Electric, water, and wastewater services are combined for billing purposes. City ordinances require a late payment fee of 10 percent if all charges have not been paid by the 16th of the month following the billing, and for utilities to be disconnected if all charges are not paid by the 20th of the month following the billing.

We tested accounts of residents, office personnel, elected city officials, and some relatives of elected officials. Our test identified noncompliance with city ordinances for a former employee and some relatives of elected officials as follows.

- Utility services of a city employee (now former city employee) were not shut off in 7 instances during 2015 when payment was not received until after the 20th of the month following the billing.



City of Rich Hill Management Advisory Report - State Auditor's Findings

- The spouse of current Board member Pilcher had an electric account established for a property and this service was only in the spouse's name. We identified 3 instances during 2015 where payment was not received until after the 20th of the month following the billing but the electric service for this property was not shut off in any of these instances.
- Late charges were not assessed to the Mayor's father when payment for October 2014 utility services did not occur until January 2015. Services had already been disconnected by the city because the Mayor's father had requested services be shut off in October 2014, but late charges should have been assessed.

It is not good public policy to make exceptions to city ordinances for city officials or family members and failing to enforce city ordinances reduces the incentive for customers to make timely payments.

2.5 Inactive accounts

City personnel are not sending applicable accounts to a collection agency or making other efforts to collect old accounts receivable before reclassifying the accounts as inactive and writing off the balance due. As of February 23, 2016, the city had 488 inactive utility accounts with amounts due totaling approximately \$135,000. The current City Clerk stated city records indicate delinquent accounts had been sent to a collection agency in prior years but that had not occurred since approximately 2012. We identified no other efforts to collect on these inactive accounts.

Good business practices require adequate collection procedures be established to ensure accounts are collected timely and bad debts are kept to a minimum.

2.6 Utility deposits

The city does not reconcile the list of customer utility deposits to city accounting records. The city maintains a list of utility deposits and accounts for the utility deposits in multiple restricted cash accounts. As of December 31, 2015, the restricted cash accounts totaled \$55,286, but the list of utility deposits totaled \$50,767, a difference of \$4,519.

Periodic reconciliation of the customer utility deposit accounting records to the available cash balance is necessary to ensure sufficient funds are available for potential utility deposit liabilities. Such reconciliations would allow for prompt detection of discrepancies.

Recommendations

The Board of Aldermen:

- 2.1 Ensure formal reviews of utility rates are performed periodically to ensure revenues are sufficient to cover all costs of providing the service without generating excessive profits.



City of Rich Hill
Management Advisory Report - State Auditor's Findings

- 2.2 Ensure all non-monetary adjustments are properly approved and compared to actual changes posted to the computer system, and documentation of all non-monetary adjustments are retained.
- 2.3 Ensure monthly reconciliations of amounts billed to amounts collected and delinquent accounts are performed.
- 2.4 Ensure utility shutoff procedures are followed and late charges are assessed in compliance with city ordinances for all utility customers, including elected officials and city personnel.
- 2.5 Ensure sufficient procedures are developed to collect accounts receivable.
- 2.6 Periodically reconcile customer deposits per accounting records to the available cash balance for customer deposits and promptly investigate any differences.

Auditee's Response

- 2.1 *A formal review of electric rates is currently being performed and we will prepare cost studies for the other utility funds during the budget process and set rates accordingly.*
- 2.2 *We agree and will implement this recommendation.*
- 2.3 *We agree and plan to do this in the future.*
- 2.4 *We agree and will follow the ordinance in the future.*
- 2.5 *We have already reviewed this listing and are in the process of taking action to collect amounts due.*
- 2.6 *The City Clerk identified the cause of this difference while updating financial records and reconciling accounts, and these records now reconciled as of the end of December 2015. A reconciliation of customer deposits on hand to amounts held in the bank is now performed monthly.*

3. Accounting Controls

Accounting controls need improvement. The city received monies for utility payments, taxes, merchant licenses, and other miscellaneous items.

3.1 Negative balances

In addition to the funds previously identified in MAR finding number 1, the following funds had negative cash balances at December 31, 2015.



City of Rich Hill
Management Advisory Report - State Auditor's Findings

Fund	Cash Balance at December 31, 2015
Fire	\$ (5,180)
Animal Control	(4,028)
Public Health	(3,051)
Cemetery	(9,765)

The city had budgeted transfers from other city funds to cover these deficiencies, but these transfers did not occur. The former City Clerk indicated this happened because she did not know how to input the transfers in the city's financial system.

The city needs to take steps to ensure all funds have positive cash balances throughout the year.

3.2 Segregation of duties

The Board has not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work performed by city office personnel are performed. The City Clerk and 2 Deputy City Clerks, one of which also serves as the Court Clerk, can all receipt and deposit monies and post transactions to the accounting system, including adjustments to customer account balances. The City Clerk is primarily responsible for making purchases, preparing checks, and reconciling the bank accounts. No reviews of the detailed accounting and bank records are performed by other city personnel or Board members.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records should be performed.

3.3 Bank reconciliations

Bank reconciliations were either not performed or were not retained for the city's 2 checking accounts (operating and perpetual care) during 2015. The computer system used does not save prior bank reconciliations, therefore the city must print the bank reconciliations to document their completion. A former City Clerk indicated bank reconciliations were performed; however, none were provided to us.

The preparation and retention of formal monthly bank reconciliations is necessary to ensure accounting records are accurate and in balance and to identify errors timely.

3.4 Manual receipt slips

The city does not properly account for all manual receipt slips issued. The city uses two manual receipt slip books concurrently and several receipt slips issued were missing from each book. In addition, the city does not have a procedure to determine if all manual receipts slips issued have been posted to the accounting system and the method of payment (cash, check, or money order) is not always marked on the manual receipt slip. We identified



City of Rich Hill
Management Advisory Report - State Auditor's Findings

one manual receipt slip issued for \$21 in April 2015 that was not posted to the accounting system or deposited. City personnel indicated the city sponsored an animal clinic to provide rabies shots, and they believe this receipt was given directly to the animal clinic providing the shots. Nothing was written on the receipt slip to explain the handling of these monies.

To reduce the risk that loss, theft, or misuse of monies could occur and go undetected, the numerical sequence of all manual receipt slips issued should be accounted for and the method of payment should be noted on the receipt slip. In addition, the composition of receipts should be reconciled to the composition of deposits and a method should be developed to ensure all manual receipt slips are posted to the accounting system.

3.5 Receipts slips and change fund

Receipt slips are not issued for some monies received and the change fund is not kept at \$100 as set by city policy. We performed two cash counts, the first on January 21, 2016, and another on February 23, 2016. During the first cash count the change fund was short \$50, and during the second cash count the change fund was short \$35. In an attempt to make up the shortage, a Deputy City Clerk stated he received money for copies and placed it in the change fund and did not issue receipt slips or post the transactions to the accounting system.

Failure to implement adequate receipting, recording and depositing procedures increase the risk of loss, theft, or misuse of monies received will go undetected and accounting records will contain errors. To safeguard against possible loss, theft, or misuse of funds, change funds should be maintained at the established amount, and a procedure established to reconcile to this amount every time a deposit is made.

Recommendations

The Board of Aldermen:

- 3.1 Monitor fund balances throughout the year and take steps to ensure negative cash balances do not occur.
- 3.2 Segregate the accounting duties of the city office personnel. If proper segregation cannot be achieved, ensure a documented independent or supervisory review of detailed accounting and bank records is performed.
- 3.3 Prepare and retain formal bank reconciliations monthly.
- 3.4 Ensure the numerical sequence of all manual receipts slips is accounted for, note the method of payment on receipt slips, and retain copies of all manual receipt slips issued. In addition, develop a method to ensure all manual receipts slips are posted to the accounting system.



City of Rich Hill
Management Advisory Report - State Auditor's Findings

Auditee's Response

- 3.5 Require issuance of prenumbered receipt slips for all monies received, record receipts in the computerized accounting system, and ensure the change fund is maintained at the established amount.
- 3.1 *We have adopted procedures to monitor fund cash balances and will ensure negative cash balances do not occur in the future.*
- 3.2 *We will find an independent person to review accounting and bank records monthly and will ensure this review is documented.*
- 3.3 *This recommendation has been implemented.*
- 3.4 *The city is now using only one manual receipt slip book and the City Clerk is taking steps to ensure the remainder of this recommendation is implemented.*
- 3.5 *This recommendation has been implemented and the change fund is now maintained at the established amount.*

4. Disbursements

Controls and procedures over city disbursements need improvement.

4.1 Approval process

The Board's approval process for disbursements is not adequate and the Board is not presented adequate financial reports by city personnel when making spending decisions. The list of bills approved by the Board each month does not include payroll disbursements, which are approximately \$50,000 per month, or payments made through the city's electronic bill payment system. While the Mayor indicated she reviews payroll records each month, this review is not documented. We also identified 4 check payments, 2 of which occurred in January 2015 and the others in May and June 2015, that were not included on a listing of bills approved by the Board.

In addition, our review of electronic disbursements determined they are not recorded in the accounting system. As a result, financial reports generated from the accounting system are not complete and accurate and cannot be relied upon by city officials when making decisions.

City personnel do not present the Board with financial reports showing the available cash balance of each fund when approving monthly disbursements. A budget to actual schedule is presented, but as mentioned above, these are not accurate because electronic payments are not entered into the financial system.

To ensure disbursements are appropriate, including electronic payments, the Board should require a complete and accurate listing of all disbursements be provided for its review and approval. In addition, additional financial



City of Rich Hill
Management Advisory Report - State Auditor's Findings

information, including cash balances of each fund, should be presented to the Board to allow them to make informed spending decisions.

4.2 Supporting documentation

The city does not always receive or retain supporting documentation for disbursements. For 8 of the 20 items tested city personnel could not provide supporting documentation. For example, the city had no support for a payment of \$8,412 for fireworks or a payment of \$358 to the local supermarket in June 2015.

All disbursements should include proper supporting documentation to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

4.3 Bidding and documentation

The city does not always solicit competitive bids or proposals for goods and services and the city ordinance for procurement needs to be clarified to indicate when bidding is required. Ordinance 1502.1 states the city will negotiate any purchase exceeding \$4,500 and shall provide ample opportunity for competitive bidding, but does not clearly state when bidding or solicitation of proposals is required. Examples of significant purchases of goods or services for which bids or proposals were not solicited include insurance (\$47,106), a fire department command vehicle (\$5,000), and city attorney services (\$10,275). The city should consider revising its ordinance to indicate the threshold where purchases of goods or services must be bid or proposals solicited.

Formal bidding procedures for major purchases or services provide a framework for economic management of city resources and help ensure the city receives fair value by contracting with the lowest or best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in city business. Soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the city to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration.

4.4 Allocation of salaries and disbursements

The city uses unsupported estimates to allocate payroll costs among various funds and there is no documentation to explain the allocation of some disbursements among restricted city funds. During the year ended December 31, 2015, city personnel allocated \$621,856 in salaries.

The city splits payroll costs between funds based upon an annual estimation of percentages that staff perform work related to each fund. These estimations are not based upon a study of personnel time or actual time spent on specific tasks. Additionally, certain other disbursements are allocated amongst city funds without documentation to explain the allocations. For example, we reviewed a disbursements for attorney services totaling \$750, and the city allocated \$150 to the Police, Water, Wastewater,



City of Rich Hill Management Advisory Report - State Auditor's Findings

Refuse, and Electric Funds, although the invoice indicated no utility work was performed.

It is essential the city properly allocate disbursements among funds to accurately determine the results of operations of specific activities, thus enabling the city to establish the level of taxation and/or user fees necessary to meet operational costs.

4.5 Written contracts

The city does not have written contracts with some service providers and certain outside parties, or could not locate the contracts.

- City personnel stated there was a written contract with the city attorney for legal services; however, neither city personnel nor the attorney could locate the 2015 contract. During 2015 the city paid \$10,275 for legal services.
- The city has a written contract with the Bates County Sheriff for dispatch services; however, city personnel could not locate the contract. During 2015 the city paid \$14,605 to the Bates County Sheriff for dispatch services.
- The city does not have a written contract for agreements made with the 4th of July Committee for its use of city parks/streets for its annual fundraiser or its agreement to donate a partial reimbursement to the city for the purchase of fireworks.

Clear and detailed written contracts, including reporting requirements and provisions to allow for proper monitoring, are necessary to ensure all parties are aware of their duties and responsibilities, prevent misunderstandings, and ensure city monies are used appropriately and effectively. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

4.6 MoDOT building

In January 2015, the city purchased approximately 8 acres, along with various buildings and garages from the Missouri Department of Transportation (MoDOT) for \$15,000, plus some utility costs, without obtaining an appraisal. The Board has not adequately documented its plans for utilizing the buildings and land. As part of the purchase agreement the MoDOT retains ownership of another 2 acres and buildings located adjacent to the purchased property, but the city is required to pay the utilities (water, gas, and electric) for 10 years for buildings located on the MoDOT property. The city did not estimate the cost of the utilities to determine the total purchase price. Based on city utility records, we estimate utility costs will be in excess of \$32,000 over the 10 year period, bringing the total projected cost of this arrangement to more than \$47,000 for the property.



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While the Board has had numerous discussions regarding the use of the purchased buildings and land, no decision has been made and the city-owned portion of the property currently sits vacant.

Because the city did not project total costs of this purchase and obtain an appraisal and had no plan for use of the land and buildings, there is less assurance the city made a wise purchase.

Recommendations

The Board of Aldermen:

- 4.1 Ensure all payments made are included in the listing of bills presented for approval and posted to the accounting system. In addition, the Board of Aldermen should be receiving detailed financial reports showing cash balances for each fund to help facilitate the approval of bills.
- 4.2 Require detailed supporting documentation be obtained and retained for all disbursements.
- 4.3 Solicit bids and proposals for all applicable purchases and clarify city code to indicate when bidding or solicitation of proposals is required.
- 4.4 Ensure payroll costs and other disbursements are properly allocated to the applicable city funds and allocations are supported by adequate documentation.
- 4.5 Enter into written contracts defining services provided and benefits received, and retain the contracts.
- 4.6 Obtain independent appraisals and properly evaluate all related costs before purchasing real estate, and develop a plan to utilize the property purchased.

Auditee's Response

- 4.1 *This recommendation has been implemented and detailed financial reports are now being presented to us for review when approving bills to be paid.*
- 4.2 *We agree and this recommendation has been implemented.*
- 4.3 *We will clarify city code and ensure bids or proposals are solicited when appropriate in the future.*
- 4.4 *The city is in the process of implementing new allocation procedures to ensure costs are fairly allocated among city funds.*



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4.5 *We will ensure contracts are obtained/retained in the future.*

4.6 *We will ensure appraisals are obtained for all future real estate purchases and will evaluate all associated costs. We will develop a plan to utilize this property in the next year.*

5. Restricted Monies

The city's procedures for accounting for restricted monies need improvement.

5.1 Motor vehicles monies

The city receipts some restricted street monies in the General Fund, rather than the Street Fund, does not track these monies within the General Fund, and did not spend any money during 2015 from the General Fund for street purposes. During the year ended December 31, 2015, the city posted \$51,569 in motor vehicle-related revenues received from the state to the General Fund. These revenues should be posted to the Street Fund to ensure they are spent for appropriate purposes.

Missouri Constitution, Article IV, Section 30(a) and 30(b), requires motor vehicle-related revenues apportioned by the state of Missouri be expended for street purposes only.

5.2 Allocation of property taxes

The city did not accurately allocate property taxes among various city funds. The city receives property taxes for the General, Parks and Recreation, Library, and Public Health Funds. Annually the city sets the tax levies and the Bates County Collector collects and remits the property taxes to the city.

The Bates County Collector provided city personnel an example in 2013 showing how to allocate the property taxes to the various city funds using each fund's tax levy as compared to total tax levies. City personnel did not update the formula and allocated 2015 property taxes received based on the 2013 tax levies, which have changed, causing errors in the allocation of property taxes among the various funds. For example, the city posted \$46,384 in property taxes to the General Fund, rather than \$44,098 based on our calculations; resulting in \$2,286 being incorrectly posted to the General Fund that should have gone to other funds. These allocations should be recalculated and plans should be developed to correct any errors.

It is essential the city properly allocate property tax revenues among funds to ensure restricted revenues are spent for approved purposes.

Recommendations

The Board of Aldermen:

5.1 Ensure restricted street monies are posted to the Street Fund and spent for allowable purposes only and develop plans to repay the amounts owed to the Street Fund.



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Auditee's Response

5.2 Ensure the amount of property taxes posted to each fund is accurate based upon the tax levies approved by the Board. In addition, allocations of 2015 taxes should be recalculated and corrected.

5.1 *We are now putting these restricted monies in the Street Fund and will discuss this recommendation and determine if repaying these monies is feasible.*

5.2 *We are allocating property tax revenues to the various funds correctly now and will discuss the need to correct the allocations made in 2015.*

6. Financial Reporting

The city's financial reporting procedures need improvement.

6.1 Filing of financial reports

City personnel have not filed annual financial reports timely with the State Auditor's Office as required by state law. The city last submitted an annual financial report in May 2016 for the year ended December 31, 2014, although it was due by June 30, 2015. No report was filed for 2013. Also, a report has not been filed as of August 2016 for the year ended December 31, 2015, which was due by June 30, 2016.

Section 105.145, RSMo, requires each political subdivision to file annual reports of its financial transactions with the State Auditor's Office.

6.2 Published financial statements

The city did not comply with state law regarding publishing financial statements. Financial statements for the 6 months ending June 30, 2015, did not include a full and detailed account of receipts and disbursements. Instead the city published summary statements of receipts and disbursements. Additionally, the city published the January 31, 2015, beginning cash balances rather than the January 1, 2015, cash balances, resulting in the published financial statements being mathematically inaccurate.

Section 79.160, RSMo, requires the Board to prepare and publish financial statements semiannually that include a full and detailed account of the receipts, disbursements, and indebtedness of the city.

Recommendations

The Board of Aldermen:

6.1 Submit annual financial reports to the State Auditor's Office as required by state law.

6.2 Ensure the city's published semiannual financial statements present all financial information required by state law and are mathematically accurate.



City of Rich Hill
Management Advisory Report - State Auditor's Findings

Auditee's Response

- 6.1 *We will ensure this is done timely in the future.*
- 6.2 *A statement for the first 6 months of 2016 has been published already and we will ensure these statements are accurate in the future.*

7. Sunshine Law

7.1 Closed meetings

Discussion in closed meetings are not always as announced in open meetings, and minutes are not signed.

On multiple occasions open meeting minutes documented a topic to be discussed in a closed meeting that was not addressed in the meeting. For example, there were multiple meetings where the city cited the purpose of a closed meeting was to discuss legal actions; however, closed meeting minutes do not document a discussion of legal actions occurred.

Section 610.022, RSMo, requires a closed meeting, record, or vote to be held only for the specific reasons announced publicly at an open meeting. In addition, this law provides that public governmental bodies shall not discuss any other business during the meeting that differs from the specific reason used to justify such meeting, record, or vote.

7.2 Meeting minutes

Board meeting minutes are not signed. In addition, the President of the Board was selected by the Mayor at the September 22, 2015, meeting, rather than by the Board, and the minutes do not indicate approval of this action.

Section 610.020, RSMo, requires meeting minutes be maintained as a record of business conducted and to provide an official record of Board actions and decisions. The meeting minutes should be signed by the City Clerk as preparer and subsequently approved by the Board to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the meetings. In addition, Section 79.090, RSMo, states the board shall elect one of their own number as "acting president of the board of aldermen."

Recommendations

The Board of Aldermen:

- 7.1 Ensure topics announced in the open session are actually discussed in closed session and documented in the minutes.
- 7.2 Ensure Board meeting minutes are signed by the Mayor and City Clerk to attest to the completeness and accuracy, and minutes document actions and votes taken.

Auditee's Response

These recommendations have been implemented.



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8. Mayoral Powers

The Mayor improperly removed the former Fire Chief from office and appointed another individual to that position without approval from the Board, in violation of city ordinance and state law.

On November 11, 2015, the Mayor sent a letter to the former Fire Chief explaining that he had committed nepotism by appointing his son to the position of Fire Captain and he was being removed from his appointed position. This issue was not brought before the Board for a vote at the November 10, 2015, Board meeting. We saw no evidence that an investigation was performed by the Mayor and the former Fire Chief was not given the opportunity to speak before the Board or bring witnesses on his behalf before he was informed of his removal by the Mayor.

In December 2015 the Mayor appointed a new Fire Chief and this appointment was done without Board consent. The Mayor sought a written opinion in November 2015 from the city attorney regarding the Mayor's ability to appoint someone to this position and if such action required the approval of the Board. The written opinion from the attorney indicated the appointment did not require the advice and consent of the Board.

Ordinance number 1389, Section 1, states the Mayor, with the consent of the Board of Aldermen, shall appoint the Fire Chief. Section 79.240, RSMo, states the mayor may, with consent of a majority of all the members elected to the board of aldermen remove from office any appointive officer of the city. Section 79.230, RSMo, states the mayor, with the consent and approval of a majority of the members of the board of aldermen shall have the power to appoint officers as they may be authorized by ordinance to appoint.

Recommendation

The Board of Aldermen and the Mayor ensure the removal or appointment of a city official is done in compliance with city ordinance and state law.

Auditee's Response

We agree and will ensure these situations are handled properly in the future.

9. City Library

Changes in the operations of the city library are necessary to be in compliance with state law.

City library monies are held in the custody of both the city and the Library Board. The city receives the library tax monies from the Bates County Collector and distributes the money to the Library Board periodically, but as of December 31, 2015, was still holding approximately \$2,300 of library monies. These monies should be disbursed to the Library Board according to state law. The Library Board maintains its own bank accounts and approves and pays bills associated with operating the library. In addition,



City of Rich Hill
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the Mayor has not been appointing the Library Board members, but rather the Library Board has been making the appointments.

State law requires the librarian file an annual report with the Library Board stating the condition of the library and its services, all amounts received and from what sources, and the amount of money spent and for what purpose. This report is to be filed with the Board of Aldermen and the State Library. The report currently being filed with the city does not indicate all monies received or how much money was spent and the purpose of the expenditures and this report was not filed with the State Library as required.

Section 182.200, RSMo, provides all monies received by the city for a city library shall be disbursed to the Library Board Treasurer at least monthly. Section 182.180, RSMo, states the mayor or other proper official shall appoint three members to the Library Board annually. In addition, Section 182.210, RSMo, states the librarian, within 8 weeks after the close of the fiscal year, shall make an annual report stating the condition of the library and its services on the last day of the fiscal year, the various sums of money received from the library fund and from other sources, and how the moneys have been expended and for what purposes. This report shall be submitted to the governing body of the city and the State Library.

Recommendation

The Board of Aldermen ensure all monies received for the library are disbursed monthly, appointments of Library Board members are made annually by the Mayor, and the annual report is complete and filed with the city and State Library as required by state law.

Auditee's Response

We will work with the Library Board to implement this recommendation.

10. Ordinances and Budgets

City ordinances are not complete, well organized, or up-to-date. Many ordinances are old and no longer relevant but have not been updated or rescinded by the Board. Additionally, the city could not locate ordinances regarding property tax levies.

10.1 Ordinances

Some current city practices conflict with city ordinance and ordinances could not be located to support restrictions placed on some city funds through the passage of property and sales taxes. For example, Ordinance 1423, Work Rules and Procedures adopted January 13, 2015, was not repealed when Ordinance 1505, Work Rules and Procedures was adopted on June 9, 2015. Therefore, the city has two active ordinances for this topic. We reviewed the 14 ordinances adopted by the Board during 2015 and for 7 the city could not locate the signed ordinance and they are not located in the ordinance book. The city provided unsigned versions of the ordinances for our review.

Additionally, the city has property tax levies for the Parks and Recreation, and Public Health Funds, however the city could not locate ordinances



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describing how the tax levies for these funds can be spent or if certain restrictions exist. We also identified sales taxes in place for the Police, Fire, Parks and Recreation, and Water Funds. The city did not have copies of the ballots or signed ordinances for any of these sales taxes describing the restrictions placed on these monies.

Because ordinances passed by the Board to govern the city and its residents have the force and effect of law, it is important ordinances be current and complete prior to the collection of new rates.

10.2 Budgets

City budgets do not include all statutorily required elements and are not always approved timely. The 2015 and 2016 budgets do not include a budget message or summary, the actual beginning and estimated ending cash balances, actual receipts and disbursements for the two preceding years, or city indebtedness information. In addition, the Board did not approve the 2016 budget until April 2016.

Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and sets specific guidelines for the format. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in setting tax levies and informing the public about city operations and current finances. In addition, Section 67.030, RSMo, states the governing body shall approve and adopt the annual budget prior to the beginning of the fiscal year.

Recommendations

The Board of Aldermen:

- 10.1 Ensure ordinances are maintained in a complete and up-to-date manner. In addition, adopt ordinances defining the restrictions for property tax levies for the Parks and Recreation and Public Health Funds.
- 10.2 Prepare annual budgets, which contain all information required by state law, and approve the budget prior to the beginning of the operating year.

Auditee's Response

- 10.1 *We have updated our ordinance book significantly in the last six months and will plan to adopt ordinances for the use of these restricted property taxes in the near future.*
- 10.2 *We agree and will ensure the 2017 budget is adopted timely and contains all elements required by state law.*



City of Rich Hill
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11. City Vehicle and Fuel Usage

The city has not established effective monitoring procedures over fuel and vehicle and equipment use, and an accurate listing of all vehicles and equipment was not maintained. During the year ended December 31, 2015, the city incurred fuel costs of approximately \$34,000.

The original listing of vehicles and equipment provided by the city included several items the city no longer owned. City personnel updated the listing. The revised listing indicated the city maintains 24 vehicles and 16 major equipment items. The city maintains a bulk diesel tank to fuel equipment, and city personnel purchase fuel at local gas stations for the vehicles using fuel cards. Usage logs were not maintained for vehicles or equipment until December 2015, when city officials began requiring them. However, our review of logs determined they were only prepared for 6 city vehicles or pieces of equipment. In addition, a log of gallons pumped from the bulk tank is not maintained to allow for a reconciliation of gallons pumped to gallons recorded in usage logs.

For purchases made by fuel card, employees are required to submit fuel receipt slips to the City Clerk, who reconciles the fuel slips to the fuel credit card statements. The statements for June, October, November, or December 2015 were not retained.

Maintaining and reviewing vehicle usage logs and comparing these usage logs to fuel purchases or gallons pumped from bulk tanks is necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection. Usage logs should provide sufficient details to allow the city to effectively monitor vehicle use and fuel costs. In addition, fuel credit card statements should be retained to help document the comparison to fuel receipt slips and to ensure adequate supporting documentation for fuel charges is maintained.

Recommendation

The Board of Aldermen establish adequate records and procedures to effectively monitor vehicle and fuel use. In addition, fuel statements should be retained.

Auditee's Response

We are in the process of developing new procedures to monitor vehicle and fuel usage and will ensure documentation is reviewed more closely in the future. Fuel statements are now being retained.

12. Electronic Data Security

The city has not established adequate password controls to reduce the risk of unauthorized access to computer systems and electronic data. Employees are not required to change passwords on a periodic basis to help ensure they remain known only to the assigned user and to reduce the risk of a compromised password. In addition, backup of financial data is performed, but is stored on site in a fireproof safe.



City of Rich Hill
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Passwords are required to authenticate access to computers. Passwords should be changed periodically to reduce the risk of unauthorized access to and use of systems and data. Without effective security controls, there is an increased risk of unauthorized access to systems and the unauthorized use, modification, or destruction of data. Backing up data is necessary to provide a means for recreating it if the original data is destroyed. Backup copies should be maintained and stored at an off-site location to provide increased assurance records can be recreated.

Recommendation

The Board of Aldermen require passwords for each employee that are periodically changed to prevent unauthorized access to the city's computers and data and ensure backup of financial data is stored at an off-site location.

Auditee's Response

We will establish new procedures for changing passwords periodically. Backup of financial data is now being stored at an off-site location.

City of Rich Hill

Organization and Statistical Information

The City of Rich Hill is located in Bates County. The city was incorporated in 1880 and is currently a fourth-class city. The city employed 17 full-time employees and 5 part-time employees on December 31, 2015.

City operations include fire protection services, law enforcement services, utilities (electric, refuse, water, and wastewater), street maintenance, city parks, a library, and a city cemetery.

Mayor and Board of Aldermen

The city government consists of a mayor and 4-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen, at December 31, 2015, are identified below. The Mayor is paid \$350 per month plus \$7 for each special meeting and Board of Aldermen members are paid \$90 per month plus \$7 for each special meeting. The compensation of these officials is established by ordinance.

Jennifer Perkey-Ewing, Mayor
Diane Kassner, South Ward Alderwoman
Patricia Pilcher, South Ward Alderwoman
Robert Dahman, North Ward Alderman

The city had one vacant Aldermen position as of December 31, 2015.

Other Principal Officials

The City Clerk, City Superintendent, City Marshall, Fire Chief, and City Attorney are appointed positions. The city's principal officials at December 31, 2015, are identified below:

Racheal Epperson, City Clerk (1)
Chris Foster, City Superintendent
Clinton Leer, City Marshall (2)
Dustin Miller, Fire Chief
Diana Thomas, City Attorney

(1) Racheal Epperson resigned her position in April 2016 and Brittany Schenker was appointed to this position in May 2016.

(2) Clinton Leer served as City Marshall until his resignation on December 31, 2015. Jack Bearce became the acting City Marshall in January 2016.

Financial Activity

A summary of the city's financial activity for the year ended December 31, 2015, follows:

Appendix A

City of Rich Hill

Schedule of Receipts, Disbursements and Changes in Cash Balances - Governmental Funds

Year Ended December 31, 2015

	General Fund	Fire Fund	Animal Control Fund	Police Fund	Streets Fund	Parks and Recreation Fund	Public Health Fund	Cemetery Fund	Library Fund	Total Governmental Funds
RECEIPTS										
Taxes	\$ 131,461	20,243	1,149	40,486	42,604	37,977	12,892	0	15,996	302,808
Charges for services	1,451	10,105	0	40	2,322	0	0	15,250	0	29,168
Court	0	0	0	21,616	1,664	0	0	0	0	23,280
Miscellaneous	22,587	4,255	0	5,356	0	4,199	729	1,282	2,224	40,632
Total Receipts	155,499	34,603	1,149	67,498	46,590	42,176	13,621	16,532	18,220	395,888
DISBURSEMENTS										
General government	58,348	30,018	2,580	52,667	54,565	15,212	3,811	9,589	0	226,790
Payroll	25,376	10,980	3,222	98,422	29,238	7,497	8,121	22,047	9,128	214,031
Capital outlay	15,000	5,256	0	500	840	6,374	0	0	0	27,970
Miscellaneous	0	0	0	0	0	0	0	672	13,020	13,692
Total Disbursements	98,724	46,254	5,802	151,589	84,643	29,083	11,932	32,308	22,148	482,483
RECEIPTS OVER (UNDER) DISBURSEMENTS	56,775	(11,651)	(4,653)	(84,091)	(38,053)	13,093	1,689	(15,776)	(3,928)	(86,595)
CASH BALANCE, JANUARY 1, 2015	65,516	6,471	625	9,956	34,377	15,441	(4,740)	6,011	8,949	142,606
CASH BALANCE, DECEMBER 31, 2015	\$ 122,291	(5,180)	(4,028)	(74,135)	(3,676)	28,534	(3,051)	(9,765)	5,021	56,011

Appendix B

City of Rich Hill

Schedule of Receipts, Disbursements and Changes in Cash Balances - Proprietary Funds

Year Ended December 31, 2015

	Water Fund	Wastewater Fund	Refuse Fund	Electric Fund	Total Proprietary Funds
RECEIPTS					
Charges for services	\$ 356,435	244,028	185,201	1,015,303	1,800,967
Sales tax	40,481	0	0	0	40,481
Miscellaneous	22,616	4,800	10	17,237	44,663
Total Receipts	419,532	248,828	185,211	1,032,540	1,886,111
DISBURSEMENTS					
Operations	260,052	115,957	70,879	709,076	1,155,964
Payroll	199,572	75,194	75,320	103,281	453,367
Capital outlay	7,553	42,545	0	70,099	120,197
Debt service	0	57,234	0	0	57,234
Total Disbursements	467,177	290,930	146,199	882,456	1,786,762
RECEIPTS OVER (UNDER) DISBURSEMENTS	(47,645)	(42,102)	39,012	150,084	99,349
CASH BALANCE, JANUARY 1, 2015	375,046	369,694	96,132	254,909	1,095,781
CASH BALANCE, DECEMBER 31, 2015	\$ 327,401	327,592	135,144	404,993	1,195,130

Appendix C

City of Rich Hill

Statement of Receipts, Disbursement and Changes in Cash Balances - Fiduciary Fund

Year Ended December 31, 2015

		<u>Perpetual Care Fund</u>
RECEIPTS		
Charges for services	\$	<u>3,141</u>
Total Receipts		<u>3,141</u>
DISBURSEMENTS		
Miscellaneous		<u>0</u>
Total Disbursements		<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		<u>3,141</u>
CASH BALANCE, JANUARY 1, 2015		<u>139,873</u>
CASH BALANCE, DECEMBER 31, 2015	\$	<u><u>143,014</u></u>



Office of Missouri State Auditor
Nicole Galloway, CPA

Wright County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Wright County

Prosecuting Attorney's Controls and Procedures

Prior audit reports have repeatedly addressed weaknesses in the Prosecuting Attorney's office controls and procedures, and most of these weaknesses still exist. The Prosecuting Attorney has not adequately segregated accounting duties and does not perform supervisory reviews of accounting and bank records. The Prosecuting Attorney has not prepared bank reconciliations and lists of liabilities or maintained checkbook balances monthly for the office's 3 bank accounts since 2010 except upon our request. The Prosecuting Attorney has not established proper controls or procedures for receipting, recording, reconciling, and depositing monies. The Prosecuting Attorney did not disburse all bad check fees received to the County Treasurer. The Prosecuting Attorney does not prepare a monthly list of unpaid bad checks and restitution. The Prosecuting Attorney is not fully utilizing the computerized bad check system to monitor the disposition of bad check cases.

Sheriff's Controls and Procedures

The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of accounting and bank records. The Sheriff has not established proper controls or procedures for reconciling and depositing monies. Follow up procedures have not been performed on reconciling items shown on bank reconciliations of the civil and criminal bank accounts. The Sheriff has not established adequate controls over seized property. The Sheriff has not entered into a written agreement with the City of Mansfield for dispatching and patrolling services. The Sheriff does not properly control his signature stamp.

Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. The County Assessor, County Collector, Recorder of Deeds, and the Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The County Collector's office employees also share passwords, and user access was not promptly deleted after an employee in the Recorder of Deeds' office ended employment. Security controls are not in place to lock computers in the offices of the County Collector and the Recorder of Deeds after a specified number of unsuccessful logon attempts.

Senate Bill 40 Board's Controls and Procedures

The Senate Bill 40 Board purchased land and buildings for possible construction or renovation of a sheltered workshop facility without adequate project planning. The Board did not always ensure compliance with the Sunshine Law.

Additional Comments

Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Wright County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Wright County

We have audited certain operations of Wright County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, was engaged to audit the financial statements of Wright County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

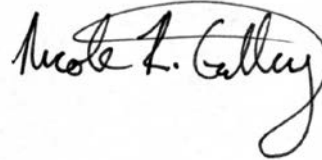
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Wright County.

During our audit, a vacancy occurred in the office of the County Collector. An audit of the Wright County Collector, fulfilling our obligations under Section 52.150, RSMo, and Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Pamela Allison, CPA
In-Charge Auditor:	Connie James
Audit Staff:	Marian Rader, M.Acct., CPA, CFE
	Xun Chen
	Saralyn Glascock

Wright County

Management Advisory Report

State Auditor's Findings

1. Prosecuting Attorney's Controls and Procedures

Prior audit reports have repeatedly addressed weaknesses in the Prosecuting Attorney's office controls and procedures, and most of these weaknesses still exist. The Prosecuting Attorney's office collected approximately \$57,000 in bad check and court ordered restitution and fees and delinquent taxes during the year ended December 31, 2015.

1.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties and does not perform supervisory reviews of accounting and bank records. One employee is primarily responsible for receipting, recording, and depositing monies; and preparing the monthly fee report. The Prosecuting Attorney does not perform a documented review of the accounting and bank records (including the monthly fee report) to ensure all monies received are properly recorded and deposited and disbursed to the appropriate parties.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and depositing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential and should include comparing daily receipt activity to deposits.

1.2 Bank reconciliations and liabilities

The Prosecuting Attorney has not prepared bank reconciliations and lists of liabilities or maintained checkbook balances monthly for the office's 3 bank accounts since 2010, except upon our request. Our prior audit reported that bank reconciliations for 2011 and 2010 and a list of liabilities at February 29, 2012, were prepared upon our request. Bank reconciliations and a list of liabilities have not been prepared since.

At our request, the Prosecuting Attorney's office prepared bank reconciliations for 2014 and 2015. However, the bank reconciliations did not include all transactions that had not cleared the bank. We reviewed and adjusted the December 31, 2015, bank reconciliation for additional outstanding checks not previously identified. We prepared a list of liabilities as of December 31, 2015, for the current bad check and court-ordered restitution bank account. The list of liabilities totaled \$1,411, while the reconciled bank balance was \$6,913, resulting in an unidentified difference in the account of \$5,502. However, because book balances were not maintained, the accuracy of these reconciliations could not be readily verified. In addition, the Prosecuting Attorney did not follow up on and resolve 5 old outstanding checks totaling \$564 issued in 2014.

The bank balance of the old bad check bank account was \$37,168 as of December 31, 2015; a list of liabilities has not been prepared; and this account has been dormant since January 2014. In addition, the bank balance of the old court-ordered restitution bank account was \$5,062 as of



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December 31, 2015; a list of liabilities has not been prepared; and this account has been dormant since October 2013 (excluding \$35 in dormant account service charges assessed from November 2014 to May 2015).

Without preparing monthly bank reconciliations, lists of liabilities, and maintaining cumulative book balances there is less assurance receipts and disbursements have been properly handled and recorded. In addition, accounting and bank errors may not be detected and corrected timely. Without regular identification and comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Procedures to routinely follow up on outstanding checks are necessary to prevent the accumulation of old outstanding checks and ensure monies are appropriately disbursed to the payee or as otherwise provided by state law. Various statutory provisions provide for the disposition of unidentified monies.

1.3 Receipting, recording, reconciling, and depositing

The Prosecuting Attorney has not established proper controls or procedures for receipting, recording, reconciling, and depositing monies. We noted the following concerns:

- Receipt slips are not issued for delinquent tax collections. Delinquent tax collections totaled \$1,597 in 2015.
- During a cash count conducted on April 14, 2016, we noted unnumbered receipt slips created using computer software by office personnel are issued for the collection of bad check and court-ordered restitution and fees. A printed copy of these receipt slips is filed in the individual case files, but a centralized file or record of all receipt slips issued is not retained manually or electronically. According to office personnel, use of this software to create receipt slips began in December 2015.
- Manual receipt slips issued are not reconciled with monies posted to the computerized accounting system or to the monthly collection report.
- Monies received are not recorded timely in the computerized accounting system. Office personnel indicated payments received for restitution of bad checks are not posted to the system until the restitution is paid in full. During our review of monies received in August 2015, \$1,394 of the \$3,806 collected for bad check restitution had not been posted to the computerized accounting system as of April 2016.
- Money orders are not restrictively endorsed upon receipt. During a cash count conducted on April 14, 2016, we noted 13 money orders totaling \$2,435 had not been restrictively endorsed.



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- Monies are not deposited timely. During August 2015, 8 of 39 receipts totaling \$533 were not deposited within one week of receipt.
- Several cash payments were received from multiple individuals during 2015, which violated office policy, which indicates no cash is to be received. This office policy is posted on the Prosecuting Attorney's collection window and bad check letters indicate only money orders or cashier's checks will be accepted. During our review of select case files and accounting records, we identified 11 cash payments received in 2015 totaling \$1,010.

Failure to implement adequate receipting, recording, reconciling, and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

1.4 Bad check fee disbursements

The Prosecuting Attorney did not disburse all bad check fees received to the County Treasurer. Due to formula errors in the monthly collection reports, bad check fees received in 2014 and 2015 totaling \$1,055 had not been disbursed to the County Treasurer as of August 2016.

Disbursement of all fees collected is necessary to provide adequate controls over account balances and increase the likelihood discrepancies are promptly detected. Sections 50.360 and 50.370, RSMo, require all county officials who receive fees or any other remuneration for official services to pay such monies monthly to the County Treasurer.

1.5 Accounts receivable

The Prosecuting Attorney does not prepare a monthly list of unpaid bad checks and restitution. A complete and accurate list of unpaid bad checks and restitution would allow office personnel to more easily review the amounts due, take appropriate steps to ensure amounts due are collected, and determine if any amounts are uncollectible.

1.6 Bad check case disposition

The Prosecuting Attorney is not fully utilizing the computerized bad check system to monitor the disposition of bad check cases. The computerized bad check system is capable of tracking the receipt and disposition of each bad check complaint; however, the system is not fully utilized. According to office personnel, bad checks are entered into the computer system mainly to generate letters notifying the bad check writers they have 10 days to pay before charges are filed. In addition, the Prosecuting Attorney's office has not generated reports available from the system to account for the numerical sequence of all cases and to ensure cases are appropriately collected or prosecuted, as applicable.

To help ensure all bad checks submitted to the Prosecuting Attorney are accounted for properly, periodic reports of complaints entered on the computer system should be generated and reviewed for completeness. This review should ensure the numerical sequence of each case is accounted for



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properly and the status or disposition of each case in the computer system is accurately recorded.

Similar conditions
previously reported

Similar conditions to sections 1.1, 1.2, and 1.6 were noted in our prior 2 audit reports. Similar conditions to sections 1.3 and 1.5 were noted in our prior audit report.

Recommendations

The Prosecuting Attorney:

- 1.1 Segregate accounting duties or ensure supervisory reviews of accounting and bank records are performed and documented.
- 1.2 Ensure monthly bank reconciliations and lists of liabilities are prepared and reconciled, and maintain cumulative book balances for the bank accounts. Any differences between accounting records and reconciliations should be promptly investigated and resolved. In addition, old outstanding checks should be voided and reissued to payees that can be readily located and the old bank accounts should be closed. If the payee cannot be located and any monies remain unidentified, the monies should be disbursed in accordance with state law.
- 1.3 Issue official prenumbered receipt slips for all monies received, ensure the numerical sequence of receipt slips is accounted for properly, reconcile manual receipt slips issued to the computerized accounting system and the monthly collection report, timely record all monies received in the computerized accounting system, restrictively endorse all money orders as received, deposit monies timely, and ensure compliance with office policy.
- 1.4 Disburse the \$1,055 in fees to the County Treasurer and ensure all fees are disbursed to the County Treasurer monthly in accordance with state law.
- 1.5 Establish procedures to monitor and collect accounts receivable.
- 1.6 Ensure all bad check complaints are entered into the computerized accounting system, and utilize the system to ensure the disposition of all bad check complaints is properly recorded.

Auditee's Response

- 1.1 *As with any office, the Prosecuting Attorney has a limited number of employees. Each of the employees in the Prosecuting Attorney's office has numerous job responsibilities such as meeting with the public, handling phone calls, preparing files for court and trial etc. and sometimes it is necessary for those responsibilities to take priority over accounting procedures. The current segregation of*



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duties is designed to most efficiently utilize limited resources. For example, the employee primarily responsible for receipting, recording, and depositing monies and preparing the monthly fee report is the same employee who works on the cases requiring those duties. That makes the most sense and is the most efficient use of resources. A separate employee is responsible for reconciling all bank accounts as an accounting safeguard to ensure all transactions are accounted for properly. In addition, the Prosecuting Attorney does conduct random informal reviews of the accounting and bank records.

No actual loss, theft or misuse of funds was identified in your audit.

- 1.2 *The Prosecuting Attorney has a limited number of employees and each one had a heavy work load separate from accounting duties. Each of the employees in the Prosecuting Attorney's office has numerous job responsibilities such as meeting with the public, handling phone calls, preparing files for court and trial etc. and sometimes the primary functions of the office and processing of cases in and for court are given priority. Regular reconciliations of the bank accounts would be the ideal and we will strive to achieve that standard.*

One problem we have in our office is that occasionally it takes some time before an offender is apprehended and pays restitution on a check or otherwise. Then when the check is issued the victim may have moved, become deceased, or is no longer in business (for example, one victim is currently in the federal penitentiary with no power of attorney). If the check is issued and is not cashed this can create a discrepancy in our records. As was addressed with the field auditors, we will work on procedures to detect and account for uncashed checks, which have been issued.

Liabilities (unidentified money) existed in the bad check and restitution accounts prior to my tenure as Prosecuting Attorney. A review of previous audits would show that the liabilities existed at the time of those audits and remains in the accounts in the same amounts.

No actual loss, theft or misuse of funds was identified in your audit.

- 1.3 *With regard to delinquent tax collections, payments are usually mailed in to the Prosecuting Attorney's office. In order to provide a receipt we would have to provide envelopes and postage at an unnecessary cost to the county, in as much as all delinquent tax payments are recorded on the Missouri Department of Revenue (DOR) Form 2593, which produces one original and three carbon*



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copies. The form, along with the payment is mailed to the Missouri DOR except one carbon copy is kept in the Prosecuting Attorney's office. Payments are made payable to the Missouri DOR, not the Prosecuting Attorney's office.

With regard to the computerized accounting system, monies received are recorded in a spreadsheet and a receipt is made when it is received. It is not recorded in the computerized accounting system until it is paid out.

All monies are deposited in a timely manner. The audit only identified one month where a handful of deposits were not made within one week (there is no set rule as to a time frame) and the deposits were nonetheless made in a timely manner.

It is a firm office policy that we do not accept cash payments. That policy is posted on our collection window. As identified by the audit we have in very exceptional circumstances accepted cash with the Prosecuting Attorney's approval (in this case it is on an elderly gentleman with limited capabilities). All of the cash payments were deposited and no discrepancies were found with regard to the cash payments.

No actual loss, theft or misuse of funds was identified in your audit.

- 1.4 *There was an employee change in 2014 and the error was from the prior time period. Prior to the audit, procedures were already enacted to correct this problem in the spreadsheet.*
- 1.5 *This criticism and recommendation is neither feasible nor practicable. At any given time we have hundreds if not thousands of open cases. It would be inefficient, if not down-right impossible to maintain this list. It would require dedicating one employee simply to create and maintain the list. It's not necessary in that we do not have any accounts receivable unless a case is filed in court. It is the firm policy of this office that we do not accept payments on bad checks unless they are paid in full or it is after a guilty plea and made a condition of probation. Restitution is not owed unless it is a condition of probation. Probation conditions, including restitution are periodically reviewed in court and records of what each defendant owes are maintained both by the court personnel and the Prosecuting Attorney's office so there is little room for error.*
- 1.6 *We did not have reliable and consistent internet connection in our office until August of 2016. A steady and reliable internet connection is required to fully utilize the computerized bad check system. The Prosecuting Attorney's office has encountered*



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difficulties with the bad check computer program and there has not been recent training available for the system. Our office has utilized that software to the extent that it has actually been helpful. At this point it is a matter of opinion as to whether making further use of the program actually helps to ensure accuracy beyond what is currently achieved. However, we will attempt to make greater use of the computer program to see if it actually improves our case monitoring and disposition. As mentioned above, once a case is filed, it is regularly monitored on the court docket to ensure cases are appropriately collected and prosecuted. Creating "numerical sequences" in most cases would simply be duplicative and not be an efficient allocation of limited resources.

Auditor's Comment

- 1.1 The Prosecuting Attorney's response indicates a separate employee is responsible for reconciling all bank accounts, however, bank reconciliations (as indicated in section 1.2) have not been prepared since 2010, except at our request.
- 1.3 Mailing a copy of a receipt slip to the business/individual paying the delinquent taxes is not necessary; however, preparing a receipt slip for all monies received ensures that all monies received are recorded in one central location and reduces the risk that loss, theft, or misuse of monies received will go undetected.
- 1.5 The accounts receivable balance due on each case is not readily available and cannot be easily monitored and collected by the Prosecuting Attorney's office. Currently each case file must be reviewed to determine the accounts receivable balance.

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected monies for civil and criminal process fees, concealed carry weapon permits, bonds, board bills, and other miscellaneous receipts totaling approximately \$238,000 during the year ended December 31, 2015.

2.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of accounting and bank records. The Sheriff's Clerk is responsible for receipting, recording, and depositing monies; and preparing bank reconciliations and the monthly fee report. The Sheriff's review does not include the bank reconciliations, the monthly fee report, or a comparison of monies received to those deposited.

To reduce the risk of loss, theft, or misuse of funds, proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and depositing monies. If proper segregation of duties cannot be achieved, documented independent



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or supervisory reviews of accounting and bank records are essential and should include comparing daily receipt activity to deposits.

2.2 Reconciling and depositing

The Sheriff has not established proper controls or procedures for reconciling and depositing monies. We noted the following concerns:

- Manual receipt slips issued are not reconciled to monies transmitted to the court, monies deposited into the office's 2 bank accounts, or on hand. As a result, some monies were not deposited intact. For example, we noted during our cash count on April 27, 2016, a receipt slip for a cash bond totaling \$241 was issued by a jailer on April 23, 2016, but the cash was not on hand or deposited with other bond monies on April 25, 2016. The Clerk could not explain where this bond money was found, but it was subsequently deposited on April 29, 2016.

In another example, a bond receipt slip was issued by a jailer on November 7, 2015, for \$5,000 cash; however, only \$2,500 cash was transmitted to the court. The Sheriff indicated the handling of the receipt was reviewed and the review indicated the jailer counted \$5,000 and returned \$2,500 back to the individual posting the bond. The review performed was not documented.

- Monies received are not deposited timely. Deposits are typically made weekly.

Failure to implement adequate reconciling and depositing procedures increases the risk that loss, theft, or misuse of monies received, will go undetected.

2.3 Bank reconciliations

Follow up procedures have not been performed on reconciling items shown on bank reconciliations of the civil and criminal bank accounts. During our review of the December 31, 2015, bank reconciliations, we identified the following concerns:

- The Clerk failed to record and disburse a \$838 direct deposit to the criminal bank account received in October 2015 for payments in lieu of taxes (PILT) or investigate why the office received the payment until our inquiry in May 2016. The county's PILT was direct deposited into the Sheriff's bank account in error.
- The list of liabilities for the civil bank account totaled \$1,860, while the reconciled bank balance was \$1,930, resulting in an unidentified difference in the account of \$70.

Adequate follow up of reconciling items and differences is necessary to ensure bank activity and accounting records are in agreement, detect and



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correct errors timely, and ensure all monies are properly recorded and/or disbursed to the payee.

2.4 Seized property

The Sheriff has not established adequate controls over seized property. Complete and accurate logs of seized property are not maintained, and periodic inventories of seized property are not conducted. During our review of the seized property logs and items on hand as of May 2016, we identified 10 of 15 items selected for review were recorded on the seized property logs, but were not on hand, and 16 of another 20 items selected for review were on hand (including cash of \$5,298), but were not recorded on the seized property logs. In addition, access is not adequately restricted to some of the seized property. All deputies have access to the holding locker where evidence is stored before it is recorded and moved to the main evidence room or sent to the lab.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of seized property. Complete and accurate inventory control records should be maintained and periodic physical inventories should be performed and the results compared to the inventory records to ensure seized property is accounted for properly.

2.5 Written agreements

The Sheriff has not entered into a written agreement with the City of Mansfield for dispatching and patrolling services. The City of Mansfield paid the Sheriff's office \$4,800 for these services during 2015.

Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

2.6 Signature stamp

The Sheriff does not properly control his signature stamp. He allows the Clerk to apply the signature stamp to timesheets and invoices documenting his supervisory approval, but does not subsequently review use of the stamp.

Allowing employees to apply a signature stamp to timesheets and payment requests reduces controls over payroll and disbursements and could lead to improper payments. If the Sheriff is unavailable to sign timesheets or other payroll records and invoices, he should subsequently document his review of documents approved using the stamp.

Similar conditions previously reported

Similar conditions to sections 2.1 and 2.4 were noted in our prior 2 audit reports.



Wright County
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Recommendations

The Sheriff:

- 2.1 Segregate accounting duties or ensure an adequate independent or supervisory review of accounting and bank records is performed and documented.
- 2.2 Reconcile manual receipt slips issued to transmittals to the court, monies deposited, and on hand. In addition, the Sheriff should ensure receipts are deposited timely and intact.
- 2.3 Ensure any differences are promptly investigated and review reconciling items identified on bank reconciliations.
- 2.4 Ensure seized property records are accurate and complete, and a periodic inventory is taken and reconciled to the property records. In addition, the Sheriff should ensure access to all seized property is adequately restricted.
- 2.5 And the County Commission should obtain a written agreement with the City of Mansfield for dispatching and patrolling services.
- 2.6 Limit use of the signature stamp and document a subsequent review of the documents approved using the stamp.

Auditee's Response

- 2.1 *Segregating duties is not feasible; however, I will perform an independent review of the monthly report, the bank reconciliation, and a periodic review of receipts to deposits.*
- 2.2 *I will require the Clerk to reconcile the manual receipt slips to the transmittals to the court, monies deposited, and monies on hand periodically. I will ensure the receipts are deposited timely and intact.*
- 2.3 *I will review the bank reconciliation and promptly investigate any differences.*
- 2.4 *Measures have been taken to ensure seized property records are complete, accurate, and are reviewed, and access has been restricted to seized property. I have plans to perform a documented review of inventory at the end of the year.*
- 2.5 *By the end of the year, we will no longer be charging the City of Mansfield for these services.*



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2.6 *In the rare instances the signature stamp is used, I verbally approve the use of the stamp. I will perform a documented review of all uses of the signature stamp upon returning to the office.*

3. Electronic Data Security

3.1 Passwords

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

The County Assessor, County Collector,¹ Recorder of Deeds, and the Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user and are not required to have a minimum number of characters in the passwords. The County Collector's office employees also share passwords. Additionally, user access was not promptly deleted after an employee in the Recorder of Deeds' office ended employment in April 2015. This former employee still had user access in April 2016.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed or contain a minimum number of characters in certain offices and are shared by employees in some cases, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique, confidential, changed periodically, and user access for terminated employees promptly deleted to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

3.2 Security controls

Security controls are not in place to lock computers in the offices of the County Collector and the Recorder of Deeds after a specified number of unsuccessful logon attempts. Logon attempt controls lock the capability to access a computer after a specified number of consecutive unsuccessful logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

Recommendations

The County Commission work with other county officials to:

¹ County Collector refers to the former County Collector, who was in office until July 26, 2016, the date of her resignation.



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- 3.1 Require unique passwords for each employee that are confidential, contain a minimum number of characters, and are periodically changed to prevent unauthorized access to the county's computers and data, and ensure user access for terminated employees is promptly removed.
- 3.2 Require each county computer to have security controls in place to lock computers after a specified number of unsuccessful logon attempts.

Auditee's Response

- 3.1 *The County Commission will work with other officials to require unique passwords for each employee that are confidential, contain a minimum number of characters, and are periodically changed to prevent unauthorized access to the county's computers and data, and ensure terminated employees user access is promptly deleted.*
- 3.2 *The County Commission will work with other county officials to require each county computer to have security controls in place to lock computers after a specified number of unsuccessful logon attempts.*

4. Senate Bill 40 Board's Controls and Procedures

The Senate Bill 40 (SB40) Board's controls and procedures need improvement. Sections 205.968 through 205.972, RSMo, allow counties to establish a SB40 Board and related tax levy to establish or contract to provide a sheltered workshop, residence facility, or related services for the care and/or employment of persons with a disability. The SB40 Board handled approximately \$172,000 in property taxes and other miscellaneous receipts during the year ended December 31, 2015.

4.1 Property purchases and planning

The SB40 Board purchased land and buildings for possible construction or renovation of a sheltered workshop facility without adequate project planning. In 2012, the SB40 Board purchased land for \$30,280 to build a new sheltered workshop facility for a not-for-profit organization. However, the facility has not been built due to disagreements between the SB40 Board and the organization. This problem led to the SB40 Board spending \$310,357 in 2016 to purchase another piece of land with a building. The SB40 Board does not have a documented plan for the renovation of the newly purchased building, but the SB40 Board President indicated the Board plans to pay for remodeling costs as they occur and has estimated remodeling the building to cost approximately \$250,000. The SB40 Board does not have a need for the original property purchased in 2012.

Proper long-term planning prior to beginning a project is necessary to ensure the successful completion of the project. A cost analysis of the project considering all costs involved including the purchase of property, construction, and subsequent maintenance and operations is necessary to



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determine the amount of funding necessary. Ensuring adequate funding will be available for costs related to the project and including subsequent maintenance and operations is necessary to determine whether the project is feasible.

4.2 Sunshine Law

The SB40 Board did not always ensure compliance with the Sunshine Law.

For closed meetings held by the SB40 Board, open meeting minutes did not always accurately cite the specific statute and subsection allowing the closure. In addition, the SB40 Board discussed issues in closed meetings, such as the hiring of an attorney (including retainer fees and hourly rates to be charged) and the Board Treasurer's financial reports, that are not allowable under the Sunshine Law.

The Sunshine Law, Chapter 610, RSMo, requires the question of holding the closed meeting and the reason for the closed meeting to be voted on at an open meeting. Additionally, the Sunshine Law also limits discussion topics and actions in closed meetings to only those specifically allowed by state law.

Recommendations

The Senate Bill 40 Board:

- 4.1 Develop documented plans for the properties purchased.
- 4.2 Ensure open meeting minutes document the correct specific statutory reason for entering closed meetings, and ensure items discussed in closed meetings comply with the Sunshine Law.

Auditee's Response

- 4.1 *During 2012, the Board purchased property located on Busch Street in Mountain Grove, Missouri. This property was purchased to build a new sheltered workshop for Unique Services, Inc. Several meetings were held to try to come to an agreement on the dimensions of the new workshop and the specific dimensions of the different units on the interior of the new building. Several drawings had been made up to that point, and attempts were made to discuss these plans with the Unique Services Board.*

While trying to resolve the above-mentioned issue, it came to the attention of both of our Boards that a large pre-existing building had been listed for sale. Our Board contacted the realtor, who had it listed, who made it possible for all of the Board members from both of our Boards to view the interior of the building, to see if it might be suitable for the new sheltered workshop for Unique Services. During subsequent joint Board meetings, it was discussed at great length with the thought that we could remodel the existing building for Unique Services new workshop, with our Board voting to bid on the building. The original property that our Board had



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purchased in 2012 could be developed for a second group home at a later date. The first group home our Board built has been occupied with clients since the day the doors opened, with a long waiting list of clients.

Our Board currently has a documented plan for remodeling the interior building we purchased for the new workshop. Several joint Board meetings were held, with several drawings showing the needs of Unique Services to have each portion of the interior placed where they would be necessary for the new workshop to specifically have their work flow as needed. The final drawing of the proposed interior was approved by vote, which then made it possible for the Board to go ahead and contact several architectural firms to find one or more that had experience building and/or remodeling sheltered workshops. Our Board hired a firm for the project in August 2016, who provided us with their fees for their work. Our Board deemed the project as feasible and proceeded with the plans.

As funds become available, formal plans for the original land purchase and the construction of a group home will be documented.

- 4.2 *The Board obtained a Sunshine Law booklet and familiarized itself with its requirements. In the future we will ensure open meeting minutes document the correct specific statutory reason for entering closed meetings and items discussed in closed meetings comply with the Sunshine Law.*

Auditor's Comment

- 4.1 While the SB40 Board had general discussions regarding purchasing and remodeling the building and land, no documented formal plans had been prepared at the time of the audit or prior to purchase. In August 2016, the Board approved a drawing and obtained cost estimates from a firm for the remodeling of the building purchased. No formal documented plans have been prepared for the original land purchased.

Wright County

Organization and Statistical Information

Wright County is a county-organized, third-class county. The county seat is Hartville.

Wright County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 52 full-time employees (including elected officials) and 6 part-time employees on December 31, 2015.

In addition, county operations include a Senate Bill 40 Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Zach Williams, Presiding Commissioner	\$	29,060
Randy Pamperien, Associate Commissioner		27,060
Mike Sherman, Associate Commissioner		27,060
Kathy Garrison, Recorder of Deeds		41,000
Nelda Masner, County Clerk		41,000
Jason W. MacPherson, Prosecuting Attorney		135,053
Glenn Adler, Sheriff		45,000
Naomi Gray, County Treasurer		41,000
Ben Hurtt, County Coroner		41,000
John T. Miller, Public Administrator		41,000
Cindy Cottengim, County Collector (1), year ended February 29,	43,958	
Brenda Day, County Assessor, year ended August 31,		41,000

(1) Includes \$2,958 of commissions earned for collecting city property taxes.



Office of Missouri State Auditor
Nicole Galloway, CPA

Chariton County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Chariton County

Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties and does not perform a supervisory review of detailed accounting and bank records. The Prosecuting Attorney also did not perform documented monthly bank reconciliations. Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Performing monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified.
Sheriff's Controls and Procedures	The Sheriff's office does not always deposit monies timely or restrictively endorse checks and money orders immediately when received, which is necessary to reduce the risk of loss, theft, or misuse of monies received going undetected.
County Funds	The county cannot ensure commissary net proceeds and conceal carry weapon (CCW) fees are used for allowable expenses because usage of these monies is not properly tracked. The county maintains net proceeds from commissary sales in the county's General Revenue Fund, where the use of the funds is not restricted. In addition, CCW fees are deposited into the Sheriff's Fund held by the County Collector-Treasurer, instead of being accounted for in the Sheriff's Revolving Fund, which has not been established. As a result, the Sheriff cannot determine if CCW fees were spent on allowable expenses.
Electronic Data Security	Employees in some offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user. Antivirus software is not installed on computer systems in the Prosecuting Attorney and the Sheriff's office, and the Sheriff's office does not store data backups at an offsite location.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Chariton County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Chariton County

We have audited certain operations of Chariton County in fulfillment of our duties under Section 29.230, RSMo. In addition, Beard-Boehmer and Associates, PC, Certified Public Accountants, was engaged to audit the financial statements of Chariton County for the year ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

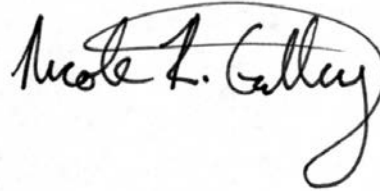
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Chariton County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Lori Melton, M.Acct., CPA
In-Charge Auditor:	James M. Applegate, MBA
Audit Staff:	Shelbi M. Becker
	Mercedes L. Nute

Chariton County

Management Advisory Report

State Auditor's Findings

1. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office receipts monies for bad check and court-ordered restitution and fees, and deposited approximately \$24,500 during the year ended December 31, 2015.

1.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties and does not perform a supervisory review of detailed accounting and bank records. The office clerk is responsible for receipting monies, making deposits, disbursing funds, and recording transactions. The Prosecuting Attorney does not perform a supervisory review of accounting and bank records over receipting, depositing, or disbursement procedures to ensure monies are properly and timely recorded, deposited, and disbursed.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement an adequate independent or supervisory review of accounting and bank records.

1.2 Bank reconciliations and liabilities

The Prosecuting Attorney did not perform documented monthly bank reconciliations for the year ended December 31, 2015. In addition, a monthly list of liabilities is not prepared to reconcile to the bank balance. The bank account balance was \$667 as of December 31, 2015, and the amount was unidentified.

Performing monthly bank reconciliations helps ensure accurate records are kept and increases the likelihood errors will be identified. Regular identification and comparison of liabilities to the available cash balance is necessary to ensure records are in balance and monies are available to satisfy all liabilities. Further, various statutory provisions provide for the disposition of unidentified monies.

Recommendations

The Prosecuting Attorney:

- 1.1 Segregate accounting duties or ensure adequate independent or supervisory reviews of detailed accounting and bank records are performed and documented.
- 1.2 Ensure monthly bank reconciliations are performed and lists of liabilities are prepared and reconciled to the cash balance monthly. Any differences between accounting records and reconciliations should be investigated and resolved. After sufficient efforts are made to resolve differences, any remaining unidentified monies should be disposed of in accordance with state law.



Chariton County
Management Advisory Report - State Auditor's Findings

Auditee's Response

- 1.1 *The Prosecuting Attorney agrees and will implement the recommendation.*
- 1.2 *The Prosecuting Attorney's office clerk has started performing full bank reconciliations and preparing an open items list monthly. The Prosecuting Attorney is working with the County Collector-Treasurer to transfer unidentified funds in the account to the state unclaimed property per statutes.*

2. Sheriff's Controls and Procedures

The Sheriff's office does not always deposit monies timely or restrictively endorse checks and money orders immediately when received. The Sheriff's office collected approximately \$237,000 in concealed carry weapon (CCW) permits, civil fees, inmate monies, and other miscellaneous receipts during the year ended December 31, 2015.

The Sheriff's office does not deposit inmate monies timely. For example, a \$30 receipt was received on September 3, 2015, but was not deposited until October 5, 2015, when \$1,976 was deposited. In addition, checks and money orders received are not restrictively endorsed immediately when they are received. The check or money order is not endorsed until the deposit slip is prepared.

To reduce the risk of loss, theft, or misuse of monies received going undetected, deposits should be made timely and checks and money orders should be restrictively endorsed immediately upon receipt.

Recommendation

The Sheriff ensure receipts are deposited timely and all checks and money orders are restrictively endorsed immediately upon receipt.

Auditee's Response

The Sheriff said his office will deposit monies more timely. He explained the inmate fund monies were sometimes used as a change fund, and were not always deposited timely for that reason. The office has begun applying a restrictive endorsement to checks and money orders immediately upon receipt.

3. County Funds

Commissary monies

The county cannot ensure commissary net proceeds and CCW fees are used for allowable expenses. The Sheriff's office collected monies for civil fees, CCW permits, inmate commissary funds, and other miscellaneous receipts totaling approximately \$38,600 for the year ended December 31, 2015.

The county maintains net proceeds from commissary sales in the county's General Revenue Fund, where the use of the funds is not restricted. Commissary sales total approximately \$28,700, and the net proceeds from those sales were \$6,686 for the year ended December 31, 2015. While the county tracks the commissary receipts and disbursements, the county does not keep a record of the use of the net proceeds or the total net proceeds



Chariton County
Management Advisory Report - State Auditor's Findings

remaining in the General Revenue Fund. In addition, some of the net proceeds should have been disbursed to the Inmate Prisoner Detainee Security Fund. The county has not established this fund. As a result, it is not possible to determine if net proceeds were spent on allowable disbursements.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Collector-Treasurer. In addition, Section 488.5026.3, RSMo, mandates the use of those funds.

CCW fees

Fees for the renewal of CCW permits are deposited into the Sheriff's Fund held by the County Collector-Treasurer, instead of being deposited in the Sheriff's Revolving Fund. The county has not established this fund. As a result, the Sheriff cannot determine if CCW fees were spent on allowable disbursements.

Section 571.101.12, RSMo, requires fees for renewal of CCW permits be deposited in the Sheriff's Revolving Fund. Section 50.535, RSMo, authorizes the Sheriff's Revolving Fund to be used for expenses related to issuance of CCW permits.

Recommendation

The Sheriff ensure commissary funds are tracked or maintained in a separate account and existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Collector-Treasurer for deposit in the Inmate Prisoner Detainee Security Fund. In addition, the Sheriff ensure CCW fees are disbursed to the County Collector-Treasurer for deposit in the Sheriff's Revolving Fund.

Auditee's Response

The Sheriff and the County Commission indicated the county would establish a Sheriff's Revolving Fund and an Inmate Prisoner Detainee Security Fund by the beginning of 2017. Commissary proceeds will be credited to the Inmate Prisoner Detainee Security Fund. CCW fees will be credited to the Sheriff's Revolving Fund.

4. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access. In addition, some data are not backed up to offsite locations.

4.1 Passwords

The Ex Officio Recorder of Deeds, Public Administrator, Prosecuting Attorney, and the Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in



Chariton County
Management Advisory Report - State Auditor's Findings

these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed by employees in these offices, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

4.2 Antivirus software

The offices of the Prosecuting Attorney and the Sheriff do not have antivirus software installed on computer systems to ensure protection of county data.

Maintaining adequate antivirus software is critical to system protection. Properly used antivirus software helps protect computer systems from destructive viruses.

4.3 Data Backup

The Sheriff's office does not store data backups at an offsite location. Offsite storage would provide reasonable assurance data could be recovered if necessary.

To help prevent loss of information and ensure all essential information and computer systems can be recovered, backups should be stored at a secure offsite location.

Recommendations

- 4.1 The County Commission work with other county officials to require confidential passwords that are periodically changed to prevent unauthorized access to county's computers and data.
- 4.2 The Prosecuting Attorney and the Sheriff ensure computer systems are adequately protected from computer viruses.
- 4.3 The Sheriff ensure backups are stored at a secure offsite location.

Auditee's Response

The County Clerk and County Commissioners provided the following response:

- 4.1 *The county will update the county computer policy to recommend changing passwords every 90 days.*

The Ex Officio Recorder of Deeds provided the following response:



Chariton County
Management Advisory Report - State Auditor's Findings

- 4.1 *I will communicate with our software provider and have them set up a password change that will occur every 90 days in order to comply with your recommendation.*

The Public Administrator provided the following response:

- 4.1 *I agree and will change my password every 90 days.*

The Prosecuting Attorney provided the following responses:

- 4.1 *I agree and will require the changing of passwords every 90 days.*
- 4.2 *I agree with the finding and will obtain and install antivirus software on the office's computers by January 1, 2017.*

The Sheriff provided the following responses:

- 4.1 *I will require password changes every 90 days on computers that contain sensitive information.*
- 4.2 *My office will ensure antivirus software is installed on all computers that contain sensitive information.*
- 4.3 *My office will ensure backups are stored offsite.*

Chariton County

Organization and Statistical Information

Chariton County is a township-organized, third-class county. The county seat is Keytesville.

Chariton County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 37 full-time employees (including elected officials) and 7 part-time employees on December 31, 2015. The townships maintain county roads.

In addition, county operations include the Senate Bill 40 Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Tony McCollum, Presiding Commissioner	\$	29,390
Steve Atkinson, Associate Commissioner		27,390
Danny Price, Associate Commissioner		27,390
Eric Stallo, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Susan Littleton, County Clerk		41,500
Robert W. Wheeler, Prosecuting Attorney		51,000
Chris Hughes, Sheriff		46,000
Larry Breshears, County Coroner		14,000
Patti Yung, Public Administrator (2)		3,333
Sherry Hershey, Public Administrator (2)		14,703
Darlene Shipp, County Collector-Treasurer, year ended March 31,	41,500	
Darrin E. Gladbach, County Assessor, year ended August 31,		41,167

(1) Compensation is paid by the state.

(2) Patti Yung resigned in February 2015. Sherry Hershey was appointed by the Governor in April 2015.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Mississippi County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Mississippi County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the year ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Lisa C. Wright, LLC, Certified Public Accountant, is attached.

A handwritten signature in black ink, reading "Nicole R. Galloway", is positioned above the printed name. The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

November 2016
Report No. 2016-120

Mississippi County, Missouri
December 31, 2015
Financial Statements

Prepared by:
Lisa C. Wright, CPA, LLC
Certified Public Accountant
Columbia, MO

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Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the County Commission and
Officeholders of Mississippi County, Missouri
Charleston, Missouri

I have audited the accompanying financial statement of Mississippi County, Missouri as of December 31, 2015 for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri Law which practice differs from accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based upon my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. Procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the County, on the basis of financial reporting provisions prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Mississippi County, as of the year ended December 31, 2015 or changes in the financial position for the year ended then.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investment balances of each fund of the County, as of and for the year ended December 31, 2015, and their respective cash receipts and disbursements and the budgetary results for the year then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the County has changed from presenting the financial statements in accordance with GASB 34 on the cash basis to the regulatory basis. My opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 29, 2016, on my consideration of Mississippi County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mississippi County's internal control over financial reporting and compliance.

Lisa C. Wyzek, CPA, LLC

Columbia, MO

July 29, 2016

BASIC FINANCIAL STATEMENTS

Mississippi County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash
All Governmental Funds: Regulatory Basis
For the Year Ended December 31, 2015

Fund	Cash and Investments		Receipts	Disbursements	Cash and Investments December 31, 2015			
	January 1, 2015							
General Revenue	\$	1,301,687	\$	2,042,250	\$	1,787,109	\$	1,556,828
Special Road and Bridge		710,545		1,411,367		1,260,470		861,442
Assessment		221,529		228,293		198,090		251,732
Johnson Grass		106,932		88,494		77,128		118,298
Law Enforcement		15,599		1,599,582		1,604,954		10,227
Recorder User Fee		18,191		4,443		2,163		20,471
Senior Citizens		303		253,197		252,931		569
Victims of Domestic Violence		110		7,202		3,507		3,805
Law Enforcement Training		20,715		8,826		5,628		23,913
Prosecuting Attorney Training		1,688		1,460		1,518		1,630
E911		174,781		68,171		52,147		190,805
Election Services		13,072		1,681		1,582		13,171
HAVA		5,302		1,581		3,005		3,878
Drainage District #3		1,610		1,716		-		3,326
Drainage District #10		36,029		7,614		-		43,643
Drainage District #14		115,559		22,464		19,346		118,677
Drainage District #23		51,885		32,820		14,955		69,750
Drainage District #25N		17,011		3,548		-		20,559
Drainage District #25S		9,261		853		-		10,114
Drainage District #29		8,428		86		-		8,514
Drainage District #30		15,067		153		-		15,220
Drainage District #32		107,373		29,466		16,704		120,135
Ditch Supervision		5,879		60		-		5,939
Prosecuting Administrative Handling		356		4,289		855		3,790
Sheriff's Revolving		9,348		22,604		5,304		26,648
Inmate Security		23,616		30,605		11,053		43,168
Deputy Sheriffs' Supplemental Salary		(826)		30,712		31,805		(1,919)
Contingency		1,006		9		1,015		-
Law Enforcement Restitution		25,582		7,402		76		32,908
Local Law Enforcement Block		-		7,332		7,332		-
OSCA Alternative Detention		(1,255)		25,697		27,217		(2,775)
Monsanto		123		-		123		-
Girls Circle Mflh		8,320		35,482		16,936		26,866
Collectors' Tax Maintenance		11,019		23,489		25,626		8,882
Recorder Technology		11,320		2,453		1,983		11,790
Prosecuting Attorney Delinquent		1,743		12		553		1,202
Senate Bill 40		576,934		245,173		163,966		658,141
Total	\$	3,625,842	\$	6,250,586	\$	5,595,081	\$	4,281,347

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
Statements of Receipts, Disbursements, and Changes in Cash-
Budget and Actual - General Revenue Fund - Regulatory Basis
For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ 940,000	\$ 1,012,806	\$ 72,806
Taxes-Property	475,000	594,347	119,347
Intergovernmental Revenues	98,600	86,520	(12,080)
Charges for Services	228,300	270,470	42,170
Interest Income	7,500	10,349	2,849
Other	37,750	67,758	30,008
Total Receipts	<u>1,787,150</u>	<u>2,042,250</u>	<u>255,100</u>
<u>Disbursements</u>			
County Commission	126,860	121,596	(5,264)
County Clerk	104,950	103,884	(1,066)
Elections	15,000	4,876	(10,124)
Buildings and Grounds	196,300	156,381	(39,919)
Employee Fringe Benefits	191,250	168,927	(22,323)
County Treasurer	44,000	43,331	(669)
County Collector	113,669	113,796	127
Recorder of Deeds	67,385	66,578	(807)
Circuit Clerk	13,550	9,390	(4,160)
Associate Circuit Clerk Probate	-	-	-
Court Reporter	-	-	-
Court Administration	43,750	23,709	(20,041)
Public Administrator	48,110	47,821	(289)
Public Defender	-	-	-
Prosecuting Attorney	239,788	235,633	(4,155)
Juvenile Officer	22,000	20,625	(1,375)
County Coroner	31,050	31,050	-
Health and welfare	26,111	36,764	10,653
Emergency Fund	50,000	-	(50,000)
Other	196,500	185,526	(10,974)
Total Disbursements	<u>1,530,273</u>	<u>1,369,887</u>	<u>(160,386)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>256,877</u>	<u>672,363</u>	<u>415,486</u>
<u>Cash and Investments - January 1</u>			
Transfers in	1,301,687	1,301,687	-
Transfers Out	-	-	-
Transfers Out	417,222	417,222	-
<u>Cash and Investments-December 31</u>	<u>\$ 1,141,342</u>	<u>\$ 1,556,828</u>	<u>\$ 415,486</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
Statements of Receipts, Disbursements, and Changes in Cash-
Budget and Actual- Special Road and Bridge Fund- Regulatory Basis
For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	500,000	612,683	112,683
Intergovernmental Revenues	532,650	687,119	154,469
Charges for Services	40,000	53,370	13,370
Interest Income	2,500	5,889	3,389
Other	-	52,306	52,306
Total Receipts	<u>1,075,150</u>	<u>1,411,367</u>	<u>336,217</u>
<u>Disbursements</u>			
Employee Fringe Benefits	438,000	413,228	(24,772)
Supplies	117,500	139,060	21,560
Insurance	25,000	21,549	(3,451)
Road & Bridge Material	367,000	390,563	23,563
Equipment Repairs	70,000	67,728	(2,272)
Equipment Purchases	57,500	150,625	93,125
Road & Bridge Construction Repair and Maintenance Projects	165,000	-	(165,000)
Other	44,500	77,717	33,217
Total Disbursements	<u>1,284,500</u>	<u>1,260,470</u>	<u>(24,030)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(209,350)</u>	<u>150,897</u>	<u>360,247</u>
<u>Cash and Investments-January 1</u>	<u>710,545</u>	<u>710,545</u>	<u>-</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 501,195</u>	<u>\$ 861,442</u>	<u>\$ 360,247</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Assessment Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Intergovernmental Revenues	\$ 149,000	\$ 181,033	\$ 32,033
Interest Income	1,250	1,928	678
Other	3,500	3,110	(390)
Total Receipts	<u>153,750</u>	<u>186,071</u>	<u>32,321</u>
<u>Disbursements</u>			
Assessor's Annual Salary	42,000	43,615	1,615
Deputy & Clerical Annual Salaries	26,250	27,259	1,009
Mileage & Training	3,000	3,315	315
Staff Salaries	43,680	45,360	1,680
FICA	8,565	8,803	238
Retirement	10,000	4,735	(5,265)
Group Insurance	24,000	23,902	(98)
Workers' Comp	2,400	2,516	116
Unemployment Insurance	1,000	633	(367)
Telephone	1,600	1,362	(238)
Postage	4,000	3,399	(601)
Paper Supplies	900	855	(45)
Desk/Machine Supplies	2,250	2,252	2
Bound Materials	100	45	(55)
Equipment	4,600	3,315	(1,285)
Computer Expenses	13,500	13,063	(437)
Insurance/Bonds	600	793	193
Assessing Mileage	2,250	2,150	(100)
Mapping Expenses	2,800	2,718	(82)
Appraisals	15,000	8,000	(7,000)
Total Disbursements	<u>208,495</u>	<u>198,090</u>	<u>(10,405)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(54,745)</u>	<u>(12,019)</u>	<u>42,726</u>
<u>Cash and Investments-January 1</u>	221,529	221,529	-
Transfers In	42,222	42,222	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 209,006</u>	<u>\$ 251,732</u>	<u>\$ 42,726</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
Statements of Receipts, Disbursements, and Changes in Cash-
Budget and Actual - Johnson Grass Fund - Regulatory Basis
For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	70,000	87,531	17,531
Intergovernmental Revenues	25	-	(25)
Charges for Services	155	155	-
Interest Income	250	808	558
Other	-	-	-
Total Receipts	<u>70,430</u>	<u>88,494</u>	<u>18,064</u>
<u>Disbursements</u>			
Staff Salaries	30,000	29,139	(861)
FICA Expenses	2,500	2,186	(314)
Retirement	2,000	1,235	(765)
Group Insurance	6,500	7,807	1,307
Workers' Comp	1,500	-	(1,500)
Unemployment Insurance	500	186	(314)
Chemicals	5,000	2,703	(2,297)
Equipment	10,000	8,500	(1,500)
Insurance / Bonds	250	374	124
Contract Service	40,000	24,998	(15,002)
Total Disbursements	<u>98,250</u>	<u>77,128</u>	<u>(21,122)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(27,820)</u>	<u>11,366</u>	<u>39,186</u>
<u>Cash and Investments-January 1</u>	<u>106,932</u>	<u>106,932</u>	<u>-</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 79,112</u>	<u>\$ 118,298</u>	<u>\$ 39,186</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Law Enforcement Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ 470,000	\$ 506,390	\$ 36,390
Taxes-Property	-	-	-
Intergovernmental Revenues	660,000	615,298	(44,702)
Charges for Services	54,500	58,586	4,086
Interest Income	100	960	860
Other	39,750	43,348	3,598
Total Receipts	<u>1,224,350</u>	<u>1,224,582</u>	<u>232</u>
<u>Disbursements</u>			
Buildings and grounds	169,000	166,079	(2,921)
Employee Fringe Benefits	288,500	269,786	(18,714)
Sheriff	422,737	407,640	(15,097)
Jail	703,194	736,014	32,820
Juvenile Officer	28,450	25,435	(3,015)
Total Disbursements	<u>1,611,881</u>	<u>1,604,954</u>	<u>(6,927)</u>
<u>Excess (Deficiency) of Receipts Over</u>			
<u>Disbursements</u>	<u>(387,531)</u>	<u>(380,372)</u>	<u>7,159</u>
<u>Cash and Investments-January 1</u>	15,599	15,599	-
Transfers In	375,000	375,000	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 3,068</u>	<u>\$ 10,227</u>	<u>\$ 7,159</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual- Recorder User Fee Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	4,100	4,253	153
Interest Income	150	190	40
Other	-	-	-
Total Receipts	<u>4,250</u>	<u>4,443</u>	<u>193</u>
<u>Disbursements</u>			
Recorder	17,000	2,163	(14,837)
Total Disbursements	<u>17,000</u>	<u>2,163</u>	<u>(14,837)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(12,750)</u>	<u>2,280</u>	<u>15,030</u>
<u>Cash and Investmentss-January 1</u>	18,191	18,191	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 5,441</u>	<u>\$ 20,471</u>	<u>\$ 15,030</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Senior Citizens Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	256,500	253,197	(3,303)
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	<u>256,500</u>	<u>253,197</u>	<u>(3,303)</u>
<u>Disbursements</u>			
Boomland Incentive	3,000	-	(3,000)
TIF Expense	12,000	11,703	(297)
Contract Services	241,500	241,228	(272)
Total Disbursements	<u>256,500</u>	<u>252,931</u>	<u>(3,569)</u>
<u>Excess (Deficiency) of Receipts Over</u> <u>Disbursements</u>	<u>-</u>	<u>266</u>	<u>266</u>
<u>Cash and Investments- January 1</u>	303	303	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 303</u>	<u>\$ 569</u>	<u>\$ 266</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual- Victims of Domestic Violence Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	9,000	7,202	(1,798)
Interest Income	-	-	-
Other	-	-	-
Total Receipts	<u>9,000</u>	<u>7,202</u>	<u>(1,798)</u>
<u>Disbursements</u>			
Contract Services	<u>9,000</u>	<u>3,507</u>	<u>(5,493)</u>
Total Disbursements	<u>9,000</u>	<u>3,507</u>	<u>(5,493)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>-</u>	<u>3,695</u>	<u>3,695</u>
<u>Cash and Investments-January 1</u>	110	110	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 110</u>	<u>\$ 3,805</u>	<u>\$ 3,695</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual- Law Enforcement Training Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	8,500	6,946	(1,554)
Charges for Services	1,800	1,675	(125)
Interest Income	150	205	55
Other	-	-	-
Total Receipts	<u>10,450</u>	<u>8,826</u>	<u>(1,624)</u>
 <u>Disbursements</u>			
Mileage / Training	<u>20,000</u>	<u>5,628</u>	<u>(14,372)</u>
Total Disbursements	<u>20,000</u>	<u>5,628</u>	<u>(14,372)</u>
 <u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(9,550)</u>	<u>3,198</u>	<u>12,748</u>
 <u>Cash and Investments-January 1</u>	<u>20,715</u>	<u>20,715</u>	<u>-</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 11,165</u>	<u>\$ 23,913</u>	<u>\$ 12,748</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Prosecuting Attorney Training Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	1,250	1,011	(239)
Charges for Services	450	434	(16)
Interest Income	10	15	5
Other	-	-	-
Total Receipts	<u>1,710</u>	<u>1,460</u>	<u>(250)</u>
<u>Disbursements</u>			
Mileage / Training	<u>1,700</u>	<u>1,518</u>	<u>(182)</u>
Total Disbursements	<u>1,700</u>	<u>1,518</u>	<u>(182)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>10</u>	<u>(58)</u>	<u>(68)</u>
<u>Cash and Investments-January 1</u>	<u>1,688</u>	<u>1,688</u>	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 1,698</u>	<u>\$ 1,630</u>	<u>\$ (68)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
Statements of Receipts, Disbursements, and Changes in Cash-
Budget and Actual - E911 Fund - Regulatory Basis
For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	70,000	66,303	(3,697)
Interest Income	1,500	1,868	368
Other	-	-	-
Total Receipts	<u>71,500</u>	<u>68,171</u>	<u>(3,329)</u>
<u>Disbursements</u>			
Staff Salary	3,200	3,200	-
FICA Expenses	325	233	(92)
Retirement Expenses	200	135	(65)
Unemployment Insurance	25	-	(25)
Parts/Repairs	2,500	313	(2,187)
Equipment Purchases	3,000	3,000	-
Computer Expenses	2,250	2,224	(26)
Contract Services	45,000	41,244	(3,756)
Miscellaneous	1,500	-	(1,500)
Insurance Expense	-	1,798	1,798
Total Disbursements	<u>58,000</u>	<u>52,147</u>	<u>(5,853)</u>
<u>Excess (Deficiency) of Receipts Over</u> <u>Disbursements</u>	<u>13,500</u>	<u>16,024</u>	<u>2,524</u>
<u>Cash and Investments-January 1</u>	174,781	174,781	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 188,281</u>	<u>\$ 190,805</u>	<u>\$ 2,524</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Election Services Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	500	1,549	1,049
Charges for Services	-	-	-
Interest Income	100	132	32
Other	-	-	-
Total Receipts	<u>600</u>	<u>1,681</u>	<u>1,081</u>
<u>Disbursements</u>			
Elections	<u>5,000</u>	<u>1,582</u>	<u>(3,418)</u>
Total Disbursements	<u>5,000</u>	<u>1,582</u>	<u>(3,418)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(4,400)</u>	<u>99</u>	<u>4,499</u>
<u>Cash and Investments-January 1</u>	13,072	13,072	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 8,672</u>	<u>\$ 13,171</u>	<u>\$ 4,499</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
Statements of Receipts, Disbursements, and Changes in Cash-
Budget and Actual - HAVA Fund- Regulatory Basis
For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	1,500	1,538	38
Interest Income	50	43	(7)
Other	-	-	-
Total Receipts	<u>1,550</u>	<u>1,581</u>	<u>31</u>
<u>Disbursements</u>			
Elections	<u>3,005</u>	<u>3,005</u>	<u>-</u>
Total Disbursements	<u>3,005</u>	<u>3,005</u>	<u>-</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(1,455)</u>	<u>(1,424)</u>	<u>31</u>
<u>Cash and Investments-January 1</u>	5,302	5,302	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 3,847</u>	<u>\$ 3,878</u>	<u>\$ 31</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Drainage District #3 Fund- Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	1,250	1,699	449
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	17	17	-
Other	-	-	-
Total Receipts	<u>1,267</u>	<u>1,716</u>	<u>449</u>
 <u>Disbursements</u>			
Ditch Maintenance	<u>1,700</u>	<u>-</u>	<u>(1,700)</u>
Total Disbursements	<u>1,700</u>	<u>-</u>	<u>(1,700)</u>
 <u>Excess (Deficiency) of Receipts Over</u> <u>Disbursements</u>	<u>(433)</u>	<u>1,716</u>	<u>2,149</u>
 <u>Cash and Investments-January 1</u>	<u>520</u>	<u>1,610</u>	<u>1,090</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 87</u>	<u>\$ 3,326</u>	<u>\$ 3,239</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Drainage District #10 Fund- Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	6,000	7,243	1,243
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	200	371	171
Other	-	-	-
Total Receipts	<u>6,200</u>	<u>7,614</u>	<u>1,414</u>
 <u>Disbursements</u>			
Ditch Maintenance	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total Disbursements	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
 <u>Excess (Deficiency) of Receipts Over</u> <u>Disbursements</u>	 <u>(23,800)</u>	 <u>7,614</u>	 <u>31,414</u>
 <u>Cash and Investments-January 1</u>	 30,640	 36,029	 5,389
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 6,840</u>	<u>\$ 43,643</u>	<u>\$ 36,803</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Drainage District #14 Fund- Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	19,250	21,431	2,181
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	750	1,033	283
Other	-	-	-
Total Receipts	<u>20,000</u>	<u>22,464</u>	<u>2,464</u>
<u>Disbursements</u>			
Ditch Maintenance	<u>80,000</u>	<u>19,346</u>	<u>(60,654)</u>
Total Disbursements	<u>80,000</u>	<u>19,346</u>	<u>(60,654)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(60,000)</u>	<u>3,118</u>	<u>63,118</u>
<u>Cash and Investments-January 1</u>	<u>99,640</u>	<u>115,559</u>	<u>15,919</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 39,640</u>	<u>\$ 118,677</u>	<u>\$ 79,037</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Drainage District #23 Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	24,000	32,390	8,390
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	250	430	180
Other	-	-	-
Total Receipts	<u>24,250</u>	<u>32,820</u>	<u>8,570</u>
<u>Disbursements</u>			
Ditch Maintenance	25,000	1,550	(23,450)
Bond Principal Payment	10,000	10,000	-
Bond Interest Expense	4,250	2,625	(1,625)
Bond Pay Agent Expense	500	780	280
Total Disbursements	<u>39,750</u>	<u>14,955</u>	<u>(24,795)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(15,500)</u>	<u>17,865</u>	<u>33,365</u>
<u>Cash and Investments-January 1</u>	<u>30,459</u>	<u>51,885</u>	<u>21,426</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 14,959</u>	<u>\$ 69,750</u>	<u>\$ 54,791</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Drainage District #25N Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	2,250	3,375	1,125
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	100	173	73
Other	-	-	-
Total Receipts	<u>2,350</u>	<u>3,548</u>	<u>1,198</u>
 <u>Disbursements</u>			
Ditch #25 North Maintenance	10,000	-	(10,000)
Total Disbursements	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
 <u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(7,650)</u>	<u>3,548</u>	<u>11,198</u>
 <u>Cash and Investments-January 1</u>	14,403	17,011	2,608
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 6,753</u>	<u>\$ 20,559</u>	<u>\$ 13,806</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

Mississippi County, Missouri
 Statements Of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual- Drainage District #25S Fund- Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	600	759	159
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	75	94	19
Other	-	-	-
Total Receipts	<u>675</u>	<u>853</u>	<u>178</u>
<u>Disbursements</u>			
Ditch #25 South Maintenance	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
Total Disbursements	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(6,825)</u>	<u>853</u>	<u>7,678</u>
<u>Cash and Investments-January 1</u>	<u>8,556</u>	<u>9,261</u>	<u>705</u>
Transfers In	-	-	
Transfers Out	-	-	
<u>Cash and Investments-December 31</u>	<u>\$ 1,731</u>	<u>\$ 10,114</u>	<u>\$ 8,383</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Drainage District #29 Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	75	86	11
Other	-	-	-
Total Receipts	<u>75</u>	<u>86</u>	<u>11</u>
 <u>Disbursements</u>			
Ditch Maintenance	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
Total Disbursements	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
 <u>Excess (Deficiency) of Receipts Over</u> <u>Disbursements</u>	 <u>(7,425)</u>	 <u>86</u>	 <u>7,511</u>
 <u>Cash and Investments-January 1</u>	 8,428	 8,428	 -
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 1,003</u>	<u>\$ 8,514</u>	<u>\$ 7,511</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Drainage District #30 Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	125	153	28
Other	-	-	-
Total Receipts	<u>125</u>	<u>153</u>	<u>28</u>
<u>Disbursements</u>			
Ditch Maintenance	<u>12,000</u>	<u>-</u>	<u>(12,000)</u>
Total Disbursements	<u>12,000</u>	<u>-</u>	<u>(12,000)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(11,875)</u>	<u>153</u>	<u>12,028</u>
<u>Cash and Investments-January 1</u>	<u>15,067</u>	<u>15,067</u>	<u>-</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 3,192</u>	<u>\$ 15,220</u>	<u>\$ 12,028</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Drainage District #32 Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	23,500	28,488	4,988
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	750	978	228
Other	-	-	-
Total Receipts	<u>24,250</u>	<u>29,466</u>	<u>5,216</u>
 <u>Disbursements</u>			
Ditch Maintenance	<u>80,000</u>	<u>16,704</u>	<u>(63,296)</u>
Total Disbursements	<u>80,000</u>	<u>16,704</u>	<u>(63,296)</u>
 <u>Excess (Deficiency) of Receipts Over Disbursements</u>	 <u>(55,750)</u>	 <u>12,762</u>	 <u>68,512</u>
 <u>Cash and Investments-January 1</u>	 85,351	 107,373	 22,022
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 29,601</u>	<u>\$ 120,135</u>	<u>\$ 90,534</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

Mississippi County, Missouri
Statements of Receipts, Disbursements, and Changes in Cash-
Budget and Actual - Ditch Supervision Fund - Regulatory Basis
For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	50	60	10
Other	-	-	-
Total Receipts	<u>50</u>	<u>60</u>	<u>10</u>
<u>Disbursements</u>			
Staff Salary	2,500	-	(2,500)
FICA Expense	100	-	(100)
Retirement Expense	150	-	(150)
Miscellaneous Expense	150	-	(150)
Total Disbursements	<u>2,900</u>	<u>-</u>	<u>(2,900)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(2,850)</u>	<u>60</u>	<u>2,910</u>
<u>Cash and Investments-January 1</u>	<u>5,879</u>	<u>5,879</u>	<u>-</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 3,029</u>	<u>\$ 5,939</u>	<u>\$ 2,910</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual- Prosecuting Administrative Handling Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	250	-	(250)
Charges for Services	4,000	4,268	268
Interest Income	10	21	11
Other	-	-	-
Total Receipts	<u>4,260</u>	<u>4,289</u>	<u>29</u>
<u>Disbursements</u>			
Staff Salary	-	310	310
FICA Expenses	-	24	24
Retirement Expense	-	31	31
Miscellaneous Expense	4,600	-	(4,600)
MOPS Expense	-	490	490
Total Disbursements	<u>4,600</u>	<u>855</u>	<u>(3,745)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(340)</u>	<u>3,434</u>	<u>3,774</u>
<u>Cash and Investments-January 1</u>	356	356	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 16</u>	<u>\$ 3,790</u>	<u>\$ 3,774</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Sheriff's Revolving Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	20,000	22,522	2,522
Interest Income	82	82	-
Other	-	-	-
Total Receipts	<u>20,082</u>	<u>22,604</u>	<u>2,522</u>
 <u>Disbursements</u>			
Finger Printing / BG Checks	<u>20,000</u>	<u>5,304</u>	<u>(14,696)</u>
Total Disbursements	<u>20,000</u>	<u>5,304</u>	<u>(14,696)</u>
 <u>Excess (Deficiency) of Receipts Over</u> <u>Disbursements</u>	 <u>82</u>	 <u>17,300</u>	 <u>17,218</u>
 <u>Cash and Investments-January 1</u>	 -	 9,348	 9,348
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 82</u>	<u>\$ 26,648</u>	<u>\$ 26,566</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Inmate Security Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	-
Taxes-Property	-	-	-
Intergovernmental Revenues	-	18,309	18,309
Charges for Services	21,000	-	(21,000)
Interest Income	299	299	-
Other	10,000	11,997	1,997
Total Receipts	<u>31,299</u>	<u>30,605</u>	<u>(694)</u>
 <u>Disbursements</u>			
Parts / Repairs	7,000	785	(6,215)
Equipment	7,000	10,268	3,268
Board Prisoners	7,000	-	(7,000)
Total Disbursements	<u>21,000</u>	<u>11,053</u>	<u>(9,947)</u>
 <u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>10,299</u>	<u>19,552</u>	<u>9,253</u>
 <u>Cash and Investments-January 1</u>	23,616	23,616	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 33,915</u>	<u>\$ 43,168</u>	<u>\$ 9,253</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Deputy Sheriffs' Supplemental Salary Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	32,700	30,712	(1,988)
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	<u>32,700</u>	<u>30,712</u>	<u>(1,988)</u>
<u>Disbursements</u>			
Deputies' Supplemental Salaries	27,200	27,201	1
FICA Expenses	2,000	2,071	71
Retirement Expenses	2,674	2,533	(141)
Other	-	-	-
Total Disbursements	<u>31,874</u>	<u>31,805</u>	<u>(69)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>826</u>	<u>(1,093)</u>	<u>(1,919)</u>
<u>Cash and Investments-January 1</u>	(826)	(826)	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ -</u>	<u>\$ (1,919)</u>	<u>\$ (1,919)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
Statements of Receipts, Disbursements, and Changes in Cash-
Budget and Actual - Contingency Fund - Regulatory Basis
For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	10	9	(1)
Other	-	-	-
Total Receipts	<u>10</u>	<u>9</u>	<u>(1)</u>
 <u>Disbursements</u>			
Other	<u>1,016</u>	<u>1,015</u>	<u>(1)</u>
Total Disbursements	<u>1,016</u>	<u>1,015</u>	<u>(1)</u>
 <u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(1,006)</u>	<u>(1,006)</u>	<u>-</u>
 <u>Cash and Investments-January 1</u>	<u>1,006</u>	<u>1,006</u>	<u>-</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
Statements of Receipts, Disbursements, and Changes in Cash-
Budget and Actual - Law Enforcement Restitution Fund - Regulatory Basis
For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	2,750	-	(2,750)
Charges for Services	-	-	-
Interest Income	200	269	69
Other	-	7,133	7,133
Total Receipts	<u>2,950</u>	<u>7,402</u>	<u>4,452</u>
<u>Disbursements</u>			
Drug Investigation Expense	10,000	76	(9,924)
Equipment	15,000	-	(15,000)
Total Disbursements	<u>25,000</u>	<u>76</u>	<u>(24,924)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(22,050)</u>	<u>7,326</u>	<u>29,376</u>
<u>Cash and Investments-January 1</u>	25,582	25,582	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 3,532</u>	<u>\$ 32,908</u>	<u>\$ 29,376</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Local Law Enforcement Block Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	7,315	7,315	-
Charges for Services	-	-	-
Interest Income	17	17	-
Other	-	-	-
Total Receipts	<u>7,332</u>	<u>7,332</u>	<u>-</u>
<u>Disbursements</u>			
Equipment Purchases	7,315	7,315	-
Interest Paid back to Public Safety	17	17	-
Total Disbursements	<u>7,332</u>	<u>7,332</u>	<u>-</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Cash and Investments-January 1</u>	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - OSCA Alternative Detention Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	42,223	25,697	(16,526)
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	<u>42,223</u>	<u>25,697</u>	<u>(16,526)</u>
<u>Disbursements</u>			
Moral Recognition Therapy Supplies	555	621	66
Moral Recognition Therapy Services	24,528	14,420	(10,108)
KEYS Contract Services	15,885	9,960	(5,925)
Truancy Monitoring	-	2,000	2,000
Site Visits/Comm. Collab.	-	216	216
Total Disbursements	<u>40,968</u>	<u>27,217</u>	<u>(13,751)</u>
<u>Excess (Deficiency) of Receipts Over</u> <u>Disbursements</u>	<u>1,255</u>	<u>(1,520)</u>	<u>(2,775)</u>
<u>Cash and Investments-January 1</u>	<u>(1,255)</u>	<u>(1,255)</u>	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ -</u>	<u>\$ (2,775)</u>	<u>\$ (2,775)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
Statements of Receipts, Disbursements, and Changes in Cash-
Budget and Actual - Monsanto Fund - Regulatory Basis
For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	<u>-</u>	<u>-</u>	<u>-</u>
<u>Disbursements</u>			
Sheriff	<u>123</u>	<u>123</u>	<u>-</u>
Total Disbursements	<u>123</u>	<u>123</u>	<u>-</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(123)</u>	<u>(123)</u>	<u>-</u>
<u>Cash and Investments-January 1</u>	<u>123</u>	<u>123</u>	<u>-</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Girls Circle Mffh Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	8,640	35,482	26,842
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	<u>8,640</u>	<u>35,482</u>	<u>26,842</u>
<u>Disbursements</u>			
Contract Services	16,960	14,580	(2,380)
Missouri Foundation for Health	-	2,356	2,356
Total Disbursements	<u>16,960</u>	<u>16,936</u>	<u>(24)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(8,320)</u>	<u>18,546</u>	<u>26,866</u>
<u>Cash and Investments-January 1</u>	8,320	8,320	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ -</u>	<u>\$ 26,866</u>	<u>\$ 26,866</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Collectors' Tax Maintenance Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	23,159	23,489	330
Interest Income	-	-	-
Other	-	-	-
Total Receipts	<u>23,159</u>	<u>23,489</u>	<u>330</u>
<u>Disbursements</u>			
Salaries	-	14,640	14,640
4 Year Bond	-	4,927	4,927
Premium Mailing Service	-	3,192	3,192
Other	12,565	2,867	(9,698)
Total Disbursements	<u>12,565</u>	<u>25,626</u>	<u>13,061</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>10,594</u>	<u>(2,137)</u>	<u>(12,731)</u>
<u>Cash and Investments-January 1</u>	<u>11,018</u>	<u>11,019</u>	<u>1</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 21,612</u>	<u>\$ 8,882</u>	<u>\$ (12,730)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Recorder Technology Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	2,500	2,334	(166)
Interest Income	100	119	19
Other	-	-	-
Total Receipts	<u>2,600</u>	<u>2,453</u>	<u>(147)</u>
 <u>Disbursements</u>			
Recorder	<u>10,000</u>	<u>1,983</u>	<u>(8,017)</u>
Total Disbursements	<u>10,000</u>	<u>1,983</u>	<u>(8,017)</u>
 <u>Excess (Deficiency) of Receipts Over</u> <u>Disbursements</u>	 <u>(7,400)</u>	 <u>470</u>	 <u>7,870</u>
 <u>Cash and Investments-January 1</u>	 11,320	 11,320	 -
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 3,920</u>	<u>\$ 11,790</u>	<u>\$ 7,870</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Prosecuting Attorney Delinquent Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	25	12	(13)
Other	-	-	-
Total Receipts	<u>25</u>	<u>12</u>	<u>(13)</u>
 <u>Disbursements</u>			
Staff Salary	1,500	470	(1,030)
FICA Expense	100	36	(64)
Retirement Expense	100	47	(53)
Total Disbursements	<u>1,700</u>	<u>553</u>	<u>(1,147)</u>
 <u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(1,675)</u>	<u>(541)</u>	<u>1,134</u>
 <u>Cash and Investments-January 1</u>	1,743	1,743	-
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 68</u>	<u>\$ 1,202</u>	<u>\$ 1,134</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Mississippi County, Missouri
 Statements of Receipts, Disbursements, and Changes in Cash-
 Budget and Actual - Senate Bill 40 Fund - Regulatory Basis
 For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
<u>Receipts</u>			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	179,000	217,226	38,226
Intergovernmental Revenues	-	386	386
Charges for Services	-	-	-
Interest Income	2,100	2,561	461
Targeted Case Management	-	25,000	25,000
Total Receipts	<u>181,100</u>	<u>245,173</u>	<u>64,073</u>
<u>Disbursements</u>			
Sheltered Workshop Food	22,000	19,354	(2,646)
Sheltered Workshop Transport	45,000	40,044	(4,956)
Kenny Rogers Center	25,000	20,838	(4,162)
Partnership for Hope	31,800	2,837	(28,963)
Miscellaneous Client Services	22,500	20,748	(1,752)
Advertising	500	70	(430)
Insurance	1,000	828	(172)
Other	300	178	(122)
Postage and Delivery	250	158	(92)
Professional Services	6,500	5,146	(1,354)
Safe Deposit Box Rent	20	20	-
Dues and Fees	1,875	1,500	(375)
Labor and Realated Payroll Tax	32,750	32,744	(6)
Office Supplies	500	266	(234)
Building Maintenance and Utility	10,000	7,547	(2,453)
Landscaping	5,000	-	(5,000)
Paving and Parking	45,000	-	(45,000)
Bus/Transportation	10,000	6,759	(3,241)
Insurance	7,000	4,929	(2,071)
Furnishings	5,000	-	(5,000)
Start up Cost	120,000	-	(120,000)
Total Disbursements	<u>391,995</u>	<u>163,966</u>	<u>(228,029)</u>
<u>Excess (Deficiency) of Receipts Over Disbursements</u>	<u>(210,895)</u>	<u>81,207</u>	<u>292,102</u>
<u>Cash and Investments-January 1</u>	<u>576,934</u>	<u>576,934</u>	<u>-</u>
Transfers In	-	-	-
Transfers Out	-	-	-
<u>Cash and Investments-December 31</u>	<u>\$ 366,039</u>	<u>\$ 658,141</u>	<u>\$ 292,102</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mississippi County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, Collector, Treasurer, County Clerk, Circuit Clerk, Coroner, Prosecuting Attorney, Public Administrator, Recorder, and Sheriff.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the use of the cash basis of accounting.

Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Mississippi County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered to comprise the County's legal entity.

Certain elected County officials, particularly in the County Collector, Treasurer, and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals taxing units or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and are unaudited.

Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Mississippi County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senior Citizens Board and the Senate Bill 40 Board. The General Revenue Fund is the county's general operation fund, accounting for all financial resources except those whose use is restricted for specified purposes.

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Mississippi County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Budgets and Budgetary Accounting

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50, (Sections 50.525 through 50.745, RSMo), the County adopts a budget for various County funds.
- 2) On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
- 3) The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
- 4) State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 5) A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
- 6) Prior the February 1, the budget is legally enacted by a vote of the County Commission.
- 7) Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
- 8) Budgets are prepared on a cash basis of accounting.
- 9) Adoption of the formal budget is required by law.
- 10) Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the Collectors' Tax Maintenance Fund.

Long-Term Debt

Consistent with the regulatory basis of accounting, long-term debt is not reported in the financial statements. Proceeds from debt issuances are reported when received, and payments of principle and interest are reported when disbursements are made.

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principle and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Mississippi County's name at third-party banking institutions.

Details of these cash and investments balances are presented in Note 2.

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as “transfers in” by the recipient fund and as “transfers out” by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring costs.

NOTE 2-CASH AND INVESTMENTS

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015, the carrying amount of the County’s deposits was \$4,281,347 and the bank balance was \$3,103,585. The bank balance was entirely covered by federal depository insurance, collateral securities held by the County’s custodial bank in the County’s name, or by commercial insurance provided through a surety bond.

State Law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city having a population of not less than two thousand, county, school district, or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits.

Investments- the County may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. treasury obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned. Mississippi County’s investment policy does not include custodial credit risk requirements. Mississippi County’s deposits were not exposed to custodial credit risk for the years ended December 31, 2015.

County of Mississippi, Missouri

Notes to Financial Statements

For the Year Ended December 31, 2015

NOTE 2-CASH AND INVESTMENTS (Continued)

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Mississippi County or its agent but not in the government's name. Mississippi County does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of Mississippi County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Mississippi County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

Concentration of credit risk is required to be disclosed by Mississippi County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Mississippi County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the year ended December 31, 2015.

NOTE 3-COMMITMENT-LONG TERM DEBT

Long-term debt due at December 31, 2015 consists of the following:

Description	Principal Balance
Mississippi County issued Drainage District Improvement Bonds, Series 1999 for Drainage District No. 23 of Mississippi County, dated June 4, 1999 in the original amount of \$165,000. Drainage District No. 23 of Mississippi County loaned \$165,000 to Mississippi County for twenty years at a range of annual interest rates in the range of 3.4% to 5.25% per annum. The note will mature on May 1, 2019. The purpose and activities of the Issuer are those permitted under Chapter 243 of the Revised Statutes of Missouri, as amended (the "Drainage District Bond Law"). Mississippi County issued Drainage District Bond, Series 1999, for the purpose of providing funds to finance the cost of construction of Drainage District No. 23 improvements.	\$45,000

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 3-COMMITMENT-LONG TERM DEBT (continued)

Mississippi County financed the purchase of radio equipment on February 22, 2013 totaling \$47,728. The loan matures on February 22, 2018 and bears an interest rate of 3%. Three remaining annual principal and interest payments of \$10,421.32 are due on February 22 starting in 2016.	\$28,638
Mississippi County financed the purchase of computer equipment on March 21, 2013 totaling \$11,127. The loan matures on March 21, 2017 and bears an interest rate of 3%. Two remaining annual principal and interest payments of \$2,993.25 are due on March 21 starting in 2016.	\$5,564
Mississippi County financed the purchase of a control panel system on July 3, 2013 totaling \$25,314. The loan matures on July 3, 2016 and bears an interest rate of 3%. One remaining annual principal payment of \$8,438 is due on July 3, 2016.	\$8,438
Mississippi County financed the purchase of LED light upgrades on October 2, 2014 totaling \$70,336. The loan matures on October 2, 2019 and bears an interest rate of 2.75%. Four remaining annual principal and interest payments of \$15,249.69 are due on October 2 starting in 2016.	\$56,269
Mississippi County financed the purchase of two pieces of heavy equipment on December 18, 2013 totaling \$171,000. The loan matures on December 18, 2018 and bears an interest rate of 1.8%. Three annual principal and interest payments of \$37,338.63 are due on December 18 starting 2016.	\$102,600
The County financed the purchase of a 2016 Ford Pickup on November 12, 2015, totaling \$31,930. The loan matures on November 12, 2020 and bears an interest rate of 1.4%. Five annual principal and interest payment of \$6,835.10 are due on November 12 starting 2016.	\$31,930

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 3-COMMITMENT-LONG TERM DEBT

Annual requirements to retire the above long-term debt as of December 31, 2015 is as follows:

Year Ending December 31:	Series 1999 Bonds	Radio Equipment	Computer Equipment	Control Panel	LED Upgrades	Freightliner & Trailer	2016 Ford Pickup	Total
2016	\$10,000	\$ 9,546	\$ 2,782	\$ 8,438	\$ 14,067	\$ 34,200	\$ 6,386	\$ 85,419
2017	10,000	9,546	2,782	-	14,067	34,200	6,386	76,981
2018	10,000	9,546	-	-	14,067	34,200	6,386	74,199
2019	15,000	-	-	-	14,067	-	6,386	35,453
2020	-	-	-	-	-	-	6,386	6,386
Total	\$45,000	\$ 28,638	\$5,564	\$8,438	\$ 56,268	\$ 102,600	\$31,930	\$278,438

NOTE 4-PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are due and payable on or before December 31. Taxes paid after December 31 are subject to penalties. The County bills and collects its own property taxes and also taxes for most other local governments.

The assessed valuation of the tangible taxable property, included within Mississippi County's boundaries for the calendar year 2015 for the purposes of county taxation was as follows:

Real Estate	\$100,675,530
Personal Property	52,876,691
Railroad and Utilities	11,780,733
Total	<u>\$165,332,954</u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2015 for the purpose of County taxation was as follows:

General Revenue Fund	\$.3302
Special Road and Bridge Fund	.3500
Johnson Grass Fund	.0500
Senate Bill 40 Fund	.1248

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description: Mississippi County's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. Mississippi County participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the plan in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Employees covered by benefit terms. As of June 30, 2015, the following employees were covered by the benefit terms:

	General	Police
Inactive employees or beneficiaries currently receiving benefits	37	11
Inactive employees entitled to but not yet receiving benefits	13	7
Active Employees	<u>45</u>	<u>7</u>
Total	<u>95</u>	<u>25</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% of their gross pay to the pension plan. Employer contribution rates are 4.1% (General), 10.5% (Police) of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

Actuarial assumptions. The total pension liability in the February 28, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation, 3.0% price inflation
Salary Increase	3.5% to 6.8% including wage inflation
Investment rate of return	7.25%

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females. The actuarial assumptions used in the February 28, 2015 valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

Discount rate. The discount rate used to measure the total pension liability is 7.25 %. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Schedule of Changes in Net Pension Liability and Related Ratios

Year ended June 30, 2015

A. Total Pension Liability	General	Police
1. Service Cost	\$118,080	\$27,291
2. Interest on Total Pension Liability	290,034	73,596
3. Changes of Benefit Terms	0	0
4. Difference between expected and actual experience of the Total pension Liability	(75,599)	29,643
5. Changes of Assumptions	0	0
6. Benefit payments, including Refunds of employee contributions	(180,018)	(32,200)
7. Net change in total pension liability	\$152,497	\$98,330
8. Total pension liability-beginning	4,030,893	1,017,533
9. Total pension liability-ending	\$4,183,390	\$1,115,863
B. Plan fiduciary net position		
1. Contributions - employer	\$69,270	\$30,894
2. Contributions – employee	54,926	11,711
3. Net investment income	95,689	19,355
4. Benefit payment, including refunds of employee contributions	(180,018)	(32,200)
5. Pension Plan Administrative Expense	(8,295)	(1,864)
6. Other (Net Transfer)	116,478	4,448
7. Net change in plan fiduciary net position	\$148,050	\$32,344
8. Plan fiduciary net position- beginning	4,709,673	1,016,043
9. Plan fiduciary net position- ending	\$4,857,723	\$1,048,387
C. Net Position Liability/(asset)	\$(674,333)	\$67,476
D. Plan fiduciary net position as a percentage of the total pension liability	116.12%	93.95%
E. Covered- employee payroll	\$1,334,270	\$290,911
F. Net pension liability as a percentage of covered employee payroll	(50.54)%	23.19%

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower 6.25 % or one percentage point higher 8.25 % than the current rate.

General	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$4,711,110	\$4,183,390	\$3,739,536
Plan Fiduciary Net Position	4,857,723	4,857,723	4,857,723
Net Pension Liability/(Asset)(NPL)	\$(146,613)	\$(674,333)	\$(1,118,187)

Police	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$1,269,611	\$1,115,863	\$986,936
Plan Fiduciary Net Position	1,048,387	1,048,387	1,048,387
Net Pension Liability/(Asset)(NPL)	\$221,224	\$67,476	\$(61,451)

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 5- LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS) (continued)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions**

If the County recorded the Pension expense on an accrual basis, below would be the disclosure. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

General	Outflows of Resources	Inflows of Resources
Differences in experience	\$-	\$(59,280)
Assumption Changes	-	-
Net difference between projected and actual earnings on pension plan investments	198,102	-
Total	\$198,102	\$(59,280)

Police	Outflows of Resources	Inflows of Resources
Differences in experience	\$19,294	\$-
Assumption Changes	-	-
Net difference between projected and actual earnings on pension plan investments	43,817	
Total	\$63,111	\$-

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources- General	Net Deferred Outflows of Resources- Police
2016	\$ 33,206	\$21,303
2017	33,206	19,899
2018	33,206	10,954
2019	39,204	10,955
2020	0	0
Thereafter	0	0
Total	\$138,822	\$63,111

Payable to the Pension Plan

The general division and police division reported a payable of \$(674,333) and \$67,476, respectfully, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 6— COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, county sheriffs covered under Sections 57.949 to 57.997, RSMo, circuit clerks and deputy circuit clerks covered under Missouri State Retirement System and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefits is allowed. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employees' Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, Missouri 65101, or by calling 1-877-632-2373.

Funding Policy

In accordance with state statutes, the plan is funded through various fees collected by the County and remitted to the CERF. Eligible employees hired before February 2002 were not required to contribute, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 6- COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (continued)

participate in the CERF. During 2015, the County collected and remitted to CERF employee contributions of approximately \$42,771.

NOTE 7-INTERFUND TRANSFERS

The following is a summary of the amounts transferred from and to other funds:

	Transferred To	Transferred From
General Revenue Fund	\$ -	\$ 417,222
Assessment Fund	\$ 42,222	-
Law Enforcement Fund	375,000	-
	<u>\$ 417,222</u>	<u>\$ 417,222</u>

The General Revenue Fund made transfers of \$417,222 to the other funds for anticipated revenue shortfall.

NOTE 8-CHANGE IN BASIS OF ACCOUNTING

Mississippi County, Missouri has changed its basis of accounting from presenting its financial statements in accordance with GASB 34 for 2014 on the cash basis of accounting to the regulatory basis of accounting as prescribed or permitted in accordance with the state law. The accounting change had no effect on the beginning cash balances of the various county funds.

NOTE 9 – PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with Section 56.807 RSMo, Mississippi County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorney's and Circuit Attorney's Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. Mississippi County contributed \$ 7,752, for the year ended December 31, 2015.

NOTE 10-RISK MANAGEMENT

The County is exposed to risk of loss due to property damage or theft, employee health or actions, and liability to the general public. The County seeks to overcome these risks through the purchase of commercial insurance. There has been no reduction in insurance compared to the previous year. The

County of Mississippi, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 10-RISK MANAGEMENT (Continued)

County has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

The County is insured under a retrospectively rated policy for workers' compensation coverage. The initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended December 31, 2015, there were no significant adjustments in premiums based on actual experience.

NOTE 11-DEFICIT FUND BALANCES

At December 31, 2015, the OSCA Alternate Detention Fund and the Deputy Sheriff's Supplemental Salary Fund had deficit fund balances of \$2,775 and \$1,919, respectively. These deficits will be financed through future revenues of the funds.

NOTE 12-VACATION TIME

Employees of the County earn vacation time as services are rendered. Vacation time is payable upon termination but is not accrued in the financial statements since the County uses the cash basis of accounting.

NOTE 13- PRIOR PERIOD ADJUSTMENT

Beginning cash balance of the Senate Bill 40 Board has been restated. The net effect of this adjustment will decrease the beginning cash and investments of the County. The adjustment will have no material effect on operations of the County.

Total cash and investments for Senate Bill 40 Board, as previously stated – December 31, 2014	\$ 576,969
Prior Period Adjustment	(35)
Total cash and investments for Senate Bill 40 Board, as Restated – December 31, 2014	<u>\$ 576,934</u>

The County's beginning Cash and Investment balance is different from that of the Audit report for the year ended December 31, 2014. This is because the prior audit report included the Financial Institution Tax Fund as well as the Collector Surplus Tax Fund, which this report excluded.

NOTE 14-SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 29, 2016, the date the financial statements were available to be issued. Based up on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the financial statements.



Lisa C. Wright, CPA, LLC
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the County Commission and Officeholders of Mississippi County
Charleston, Missouri

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mississippi County, Missouri as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise Mississippi County, Missouri's basic financial statement, and have issued my report thereon, dated July 29, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements I considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County's internal control. Accordingly, I do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my testing disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entities internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entities internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lisa C Wright, CPA, LLC

Columbia, MO

July 29, 2016

Mississippi County, Missouri
Follow-Up on Prior Audit Findings for an Audit of Financial
Statements performed in Accordance with Government Auditing Standards

- 2014 - 001 Condition: Section 473.540, RSMo, requires the Public Administrator to file annual settlements for each ward on the anniversary date of letters until the administration is complete.
Status: Implemented
- 2014 - 002 Condition: Good internal controls would require the County Collector to maintain an accurate check register, and this check register should be reconciled to the bank statement on a monthly basis.
Status: Implemented.



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Clark County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Clark County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the year ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Lisa C. Wright, LLC, Certified Public Accountant, is attached.

Nicole R. Galloway, CPA
State Auditor

November 2016
Report No. 2016-121

Clark County, Missouri
December 31, 2015
Financial Statements

Prepared by:
Lisa C. Wright, CPA, LLC
Certified Public Accountant
Columbia, MO

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INDEPENDENT AUDITOR'S REPORT

To the County Commission and
Officeholders of Clark County
Kahoka, Missouri

I have audited the accompanying financial statement of Clark County, Missouri as of December 31, 2015 for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed or permitted by Missouri Law which practice differs from accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based upon my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. Procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Clark County, Missouri, using practices prescribed or permitted by Missouri law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Clark County, as of December 31, 2015 or changes in the financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and cash equivalents balances of each fund of the County, as of the year ended December 31, 2015, and the respective cash receipts and disbursements and the budgetary results for the year then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 27, 2016, on my consideration of Clark County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clark County's internal control over financial reporting and compliance.

Lisa C. Wright CPA, LLC
Columbia, MO
July 27, 2016



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Clark County, Missouri
Statement of Receipts, Disbursements and Changes in Cash and Cash Equivalents
All Governmental Funds: Regulatory Basis
For the Year Ended December 31, 2015

Fund	Cash and Cash Equivalents January 1,	Receipts	Disbursements	Cash and Cash Equivalents December 31,
	2015			2015
General Revenue Fund	\$ 43,889	\$ 1,007,923	\$ 983,727	\$ 68,085
Special Road and Bridge Fund	179,816	1,387,555	1,399,303	168,068
Assessment Fund	5,735	129,579	118,859	16,455
One Half Cent Sales- Road and Bridge Fund	45,775	340,873	347,102	39,546
Road and Bridge Escrow Fund	52,349	5,528	-	57,877
One Half Cent Sales-Jail Operations Law Enforcement Fund	31,592	696,646	708,852	19,386
Civil Process Fund	5,319	7,567	6,732	6,154
Sheriff's Revolving Fund	5,302	12,242	10,035	7,509
Deputy Supplemental Salary Fund	(260)	6,949	6,571	118
Law Enforcement Training Fund	2,889	4,499	3,671	3,717
Inmate Security Fund	4,214	13,091	3,307	13,998
Peace Officers Standards Fund	1,125	1,503	1,753	875
Drug Enforcement Fund	1,607	500	500	1,607
Local Law Enforcement Block Fund	35	-	-	35
Sex Offender Compliance Fund	-	-	-	-
Prosecuting Attorney Administrative Cost Fund	2,320	1,139	1,010	2,449
Prosecuting Attorney Training Fund	797	1,133	-	1,930
Prosecuting Attorney Department Fund	1,105	-	368	737
Senior Services Fund	7,206	49,670	41,124	15,752
Recorder Fund	11,606	2,980	-	14,586
Recorder Automatic Fund	6,009	1,704	-	7,713
Building Maintenance Fund	51,668	10,000	41,626	20,042
Local Emergency Planning Fund	2,895	2,813	1,322	4,386
Election Equipment Fund	7	4,711	-	4,718
Election Services Fund	4,659	1,608	2,380	3,887
Courthouse Sales Tax Fund	352,287	426,513	355,188	423,612
Courthouse Debt Service Fund	9	441,016	440,926	99
Tax Maintenance Fund	22,158	9,177	11,995	19,340
Domestic Violence Fund	16,247	5,270	-	21,517
Law Enforcement Restitution Fund	41,423	86,811	85,000	43,234
Community Service Fund	11,352	3,142	5,107	9,387
Domestic Violence Against Women Fund	(9,429)	9,429	-	-
Total	\$ 901,706	\$ 4,671,571	\$ 4,576,458	\$ 996,819

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - General Revenue Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ 310,000	\$ 340,872	\$ 30,872
Taxes-Property	325,300	331,691	6,391
Intergovernmental Revenues	700	517	(183)
Charges for Services	148,590	159,776	11,186
Interest Income	6,500	9,262	2,762
Other	88,338	82,881	(5,457)
Total Receipts	879,428	924,999	45,571
Disbursements			
County Commission	97,290	93,373	(3,917)
County Clerk	78,900	68,144	(10,756)
Elections	22,990	18,968	(4,022)
Buildings and Grounds	80,915	75,891	(5,024)
Employee Fringe Benefits	4,000	-	(4,000)
County Treasurer	44,250	42,338	(1,912)
County Collector	96,265	98,665	2,400
Recorder of Deeds	66,810	52,400	(14,410)
Circuit Clerk	18,811	10,614	(8,197)
Court Administration	20,010	20,585	575
Public Administrator	32,476	26,925	(5,551)
Prosecuting Attorney	83,650	86,474	2,824
Juvenile Officer	21,600	12,978	(8,622)
County Coroner	24,400	30,398	5,998
Emergency Fund	30,217	18,891	(11,326)
Prepaid Legal Services	2,400	2,400	-
Insurance & Bonds	17,300	22,131	4,831
Publication Costs	-	703	703
NEMO Regional Planning	1,184	1,184	-
University Extension Service	27,651	27,651	-
MAC Dues	1,133	1,133	-
Jury Script	1,800	2,958	1,158
Public Deender	3,175	3,173	(2)
Miscellaneous	75	1,870	1,795
Office Expenses	-	2,742	2,742
Other (Collector)	500	185	(315)
Prosecuting Attorney Retirement contribution	-	2,244	2,244
Total Disbursements	777,802	725,018	(52,784)
Excess (Deficiency) of Receipts Over Disbursements	101,626	199,981	98,355
Cash and Cash Equivalents-January 1	43,889	43,889	-
Transfers In	127,820	82,924	(44,896)
Transfers Out	260,953	258,709	(2,244)
Cash and Cash Equivalents-December 31	\$ 12,382	\$ 68,085	\$ 55,703

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Special Road and Bridge Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	577,800	603,248	25,448
Intergovernmental Revenues	1,399,064	758,871	(640,193)
Charges for Services	-	-	-
Interest Income	2,500	4,267	1,767
Miscellaneous	5,000	6,450	1,450
MOPERM-Reduns	450	-	(450)
Workman's Compensatin Refund	2,500	-	(2,500)
Culvert Pipe	5,000	5,935	935
Other	8,500	8,784	284
Total Receipts	<u>2,000,814</u>	<u>1,387,555</u>	<u>(613,259)</u>
Disbursements			
Road and Bridge Salary	355,888	340,158	(15,730)
Employee Fringe Benefits	129,244	132,124	2,880
Supplies	177,510	155,268	(22,242)
Insurance	67,000	61,918	(5,082)
Road & Bridge Materials	76,476	61,069	(15,407)
Equipment Repairs	60,000	74,433	14,433
EuiPMENT Purchases	69,459	66,978	(2,481)
Maintenance Projects	1,092,064	403,902	(688,162)
Utilities	3,000	3,048	48
Natural Gas	2,500	2,669	169
Telephone	3,500	4,131	631
Advertising	200	342	142
Safety Equipment	2,000	1,378	(622)
Audit	18,000	18,000	-
Fire Dues	90	-	(90)
Mileage & Training	200	-	(200)
Road signs	2,500	183	(2,317)
Miscellaneous (Gregory Drainage)	4,100	2,307	(1,793)
Total Disbursements	<u>2,063,731</u>	<u>1,327,908</u>	<u>(735,823)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(62,917)</u>	<u>59,647</u>	<u>122,564</u>
Cash and Cash Equivalents-January 1	179,816	179,816	-
Transfers In	-	-	-
Transfers Out	114,031	71,395	(42,636)
Cash and Cash Equivalents-December 31	<u>\$ 2,868</u>	<u>\$ 168,068</u>	<u>\$ 165,200</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Assessment Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	99,300	111,018	11,718
Charges for Services	-	-	-
Interest Income	250	370	120
Other	2,159	2,191	32
Total Receipts	<u>101,709</u>	<u>113,579</u>	<u>11,870</u>
Disbursements			
Assessor's Annual salary	38,000	23,392	(14,608)
Deputy and Clerical Annual Salaries	37,050	51,658	14,608
Fringe Benefits	21,000	21,809	809
Office Supplies	2,000	2,955	955
Equipment	3,175	4,315	1,140
Mileage and Training	2,200	5,029	2,829
Postage	3,200	1,298	(1,902)
Mapping	3,000	3,105	105
Programming	1,750	565	(1,185)
Repairs & Maintenance	-	497	497
Copier & Fax	500	185	(315)
Mileage and Training	3,000	136	(2,864)
Worker's Comp	5,150	3,915	(1,235)
Bond	242	-	(242)
Total Disbursements	<u>120,267</u>	<u>118,859</u>	<u>(1,408)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(18,558)</u>	<u>(5,280)</u>	<u>13,278</u>
Cash and Cash Equivalents-January 1	5,735	5,735	-
Transfers In	16,000	16,000	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 3,177</u>	<u>\$ 16,455</u>	<u>\$ 13,278</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents -
Budget and Actual - One Half Cent Sales - Road and Bridge Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ 310,000	\$ 340,873	\$ 30,873
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	310,000	340,873	30,873
Disbursements			
Rock	299,962	292,549	(7,413)
Equipment	38,024	38,024	-
Total Disbursements	337,986	330,573	(7,413)
Excess (Deficiency) of Receipts Over Disbursements	(27,986)	10,300	38,286
Cash and Cash Equivalents-January 1	45,775	45,775	-
Transfers In	-	-	-
Transfers Out	17,788	16,529	(1,259)
Cash and Cash Equivalents-December 31	\$ 1	\$ 39,546	\$ 39,545

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents Budget and Actual - Road and Bridge Escrow Fund: Regulatory Basis For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	528	528
Other	-	-	-
Total Receipts	-	528	528
Disbursements			
Highway and Roads	-	-	-
Total Disbursements	-	-	-
Excess (Deficiency) of Receipts Over Disbursements	-	528	528
Cash and Cash Equivalents-January 1	52,349	52,349	-
Transfers In	5,000	5,000	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	\$ 57,349	\$ 57,877	\$ 528

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - One Half Cent Sales - Jail Operations Law Enforcement Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ 310,000	\$ 340,822	\$ 30,822
Taxes-Property	-	-	-
Intergovernmental Revenues	47,600	23,291	(24,309)
Charges for Services	-	-	-
Interest Income	-	-	-
Dispatching-Ambulance district	18,000	18,000	-
Dispatching-City of Kahoka	19,200	19,200	-
Miscellaneous	4,000	3,775	(225)
Jail Reimbursement	97,000	51,341	(45,659)
Transportation	4,000	4,386	386
Evercom (Pay Phone)	400	-	(400)
Sheriff's Fees	9,000	7,642	(1,358)
Worker's Compensation Reimbursement	800	-	(800)
Sheriff's Sale	600	-	(600)
MO PERM	-	8,909	8,909
Total Receipts	510,600	477,366	(33,234)
Disbursements			
Salaries	562,355	564,052	1,697
Office Expenditures	21,400	20,737	(663)
Equipment	51,000	32,589	(18,411)
Medical, Meals and Transportation - Prisoners	25,500	20,340	(5,160)
Miscellaneous	29,080	29,628	548
Insurance	50,300	41,506	(8,794)
Total Disbursements	739,635	708,852	(30,783)
Excess (Deficiency) of Receipts Over Disbursements	(229,035)	(231,486)	(2,451)
Cash and Cash Equivalents-January 1	31,594	31,592	(2)
Transfers In	219,280	219,280	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	\$ 21,839	\$ 19,386	\$ (2,453)

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents -
Budget and Actual - Civil Process Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Mileage	700	859	159
Fees	5,900	5,819	(81)
Other	6,500	889	(5,611)
Total Receipts	<u>13,100</u>	<u>7,567</u>	<u>(5,533)</u>
Disbursements			
Services and Other	11,000	6,732	(4,268)
Total Disbursements	<u>11,000</u>	<u>6,732</u>	<u>(4,268)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>2,100</u>	<u>835</u>	<u>(1,265)</u>
Cash and Cash Equivalents-January 1	5,319	5,319	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 7,419</u>	<u>\$ 6,154</u>	<u>\$ (1,265)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents -
Budget and Actual - Sheriff's Revolving Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Conceal and Carry Permits	5,800	12,242	6,442
Total Receipts	<u>5,800</u>	<u>12,242</u>	<u>6,442</u>
Disbursements			
Services and Other	10,000	10,035	35
Total Disbursements	<u>10,000</u>	<u>10,035</u>	<u>35</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(4,200)</u>	<u>2,207</u>	<u>6,407</u>
Cash and Cash Equivalents-January 1	5,301	5,302	1
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 1,101</u>	<u>\$ 7,509</u>	<u>\$ 6,408</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Deputy Supplemental Salary Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	8,500	6,949	(1,551)
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	8,500	6,949	(1,551)
Disbursements			
Salary	8,000	6,045	(1,955)
Fringe Benefits	1,000	526	(474)
Total Disbursements	9,000	6,571	(2,429)
Excess (Deficiency) of Receipts Over Disbursements	(500)	378	878
Cash and Cash Equivalents-January 1	(261)	(260)	1
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	\$ (761)	\$ 118	\$ 879

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Law Enforcement Training Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	3,100	4,499	1,399
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	<u>3,100</u>	<u>4,499</u>	<u>1,399</u>
Disbursements			
Other (Sheriff)	5,900	3,671	(2,229)
Total Disbursements	<u>5,900</u>	<u>3,671</u>	<u>(2,229)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(2,800)</u>	<u>828</u>	<u>3,628</u>
Cash and Cash Equivalents-January 1	2,890	2,889	(1)
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 90</u>	<u>\$ 3,717</u>	<u>\$ 3,627</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents -
Budget and Actual - Inmate Security Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Court Fees	9,000	13,091	4,091
Total Receipts	<u>9,000</u>	<u>13,091</u>	<u>4,091</u>
Disbursements			
Sevices and Other	13,000	3,307	(9,693)
Total Disbursements	<u>13,000</u>	<u>3,307</u>	<u>(9,693)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(4,000)</u>	<u>9,784</u>	<u>13,784</u>
Cash and Cash Equivalents-January 1	4,215	4,214	(1)
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 215</u>	<u>\$ 13,998</u>	<u>\$ 13,783</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents
Budget and Actual -Peace Officers Standards Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	1,630	1,503	(127)
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	<u>1,630</u>	<u>1,503</u>	<u>(127)</u>
Disbursements			
Missouri Sheriff's Association	-	1,753	1,753
Miscellaneous	2,600	-	(2,600)
Total Disbursements	<u>2,600</u>	<u>1,753</u>	<u>(847)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(970)</u>	<u>(250)</u>	<u>720</u>
Cash and Cash Equivalents-January 1	1,125	1,125	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 155</u>	<u>\$ 875</u>	<u>\$ 720</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents
Budget and Actual - Drug Enforcement Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	1,000	500	(500)
Total Receipts	<u>1,000</u>	<u>500</u>	<u>(500)</u>
Disbursements			
Miscellaneous	1,000	500	(500)
Total Disbursements	<u>1,000</u>	<u>500</u>	<u>(500)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents-January 1	1,607	1,607	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 1,607</u>	<u>\$ 1,607</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents - Budget and Actual - Local Law Enforcement Block Fund: Regulatory Basis For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	1,500	-	(1,500)
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Disbursements			
Equipment	1,500	-	(1,500)
Total Disbursements	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents-January 1	35	35	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 35</u>	<u>\$ 35</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Sex Offender Compliance Fund: Regulatory Basis

For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	600	-	(600)
Total Receipts	<u>600</u>	<u>-</u>	<u>(600)</u>
Disbursements			
Miscellaneous	800	-	(800)
Total Disbursements	<u>800</u>	<u>-</u>	<u>(800)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(200)</u>	<u>-</u>	<u>200</u>
Cash and Cash Equivalents-January 1	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ (200)</u>	<u>\$ -</u>	<u>\$ 200</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Prosecuting Attorney Administrative Cost Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	1,800	1,110	(690)
Interest Income	35	29	(6)
Other	-	-	-
Total Receipts	1,835	1,139	(696)
Disbursements			
Miscellaneous	3,000	1,010	(1,990)
Equipment	1,500	-	(1,500)
Total Disbursements	4,500	1,010	(3,490)
Excess (Deficiency) of Receipts Over Disbursements	(2,665)	129	2,794
Cash and Cash Equivalents-January 1	2,320	2,320	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	\$ (345)	\$ 2,449	\$ 2,794

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents -
Budget and Actual - Prosecuting Attorney Training Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	795	1,132	337
Interest Income	-	-	-
Other	-	1	1
Total Receipts	<u>795</u>	<u>1,133</u>	<u>338</u>
Disbursements			
Public Safety	1,000	-	(1,000)
Total Disbursements	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(205)</u>	<u>1,133</u>	<u>1,338</u>
Cash and Cash Equivalents-January 1	798	797	(1)
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 593</u>	<u>\$ 1,930</u>	<u>\$ 1,337</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Prosecuting Attorney Department Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	-	-	-
Disbursements			
Services and Other	1,105	368	(737)
Total Disbursements	1,105	368	(737)
Excess (Deficiency) of Receipts Over Disbursements	(1,105)	(368)	737
Cash and Cash Equivalents-January 1	1,105	1,105	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	\$ -	\$ 737	\$ 737

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents -
Changes in Cash - Budget and Actual - Senior Services Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	50,000	49,586	(414)
Intergovernmental Revenues	100	84	(16)
Charges for Services	-	-	-
Interest Income	-	-	-
Other	800	-	(800)
Total Receipts	<u>50,900</u>	<u>49,670</u>	<u>(1,230)</u>
Disbursements			
Services and Other	50,000	41,124	(8,876)
Total Disbursements	<u>50,000</u>	<u>41,124</u>	<u>(8,876)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>900</u>	<u>8,546</u>	<u>7,646</u>
Cash and Cash Equivalents-January 1	7,205	7,206	1
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 8,105</u>	<u>\$ 15,752</u>	<u>\$ 7,647</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents -
Budget and Actual - Recorder Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	2,600	2,840	240
Interest Income	140	140	-
Other	-	-	-
Total Receipts	<u>2,740</u>	<u>2,980</u>	<u>240</u>
Disbursements			
Services and Other	15,000	-	(15,000)
Total Disbursements	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(12,260)</u>	<u>2,980</u>	<u>15,240</u>
Cash and Cash Equivalents-January 1	11,606	11,606	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ (654)</u>	<u>\$ 14,586</u>	<u>\$ 15,240</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents -
Budget and Actual - Recorder Automatic Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	1,800	1,704	(96)
Interest Income	-	-	-
Other	-	-	-
Total Receipts	<u>1,800</u>	<u>1,704</u>	<u>(96)</u>
Disbursements			
Services and Other	<u>6,000</u>	-	(6,000)
Total Disbursements	<u>6,000</u>	-	(6,000)
Excess (Deficiency) of Receipts Over Disbursements	<u>(4,200)</u>	<u>1,704</u>	<u>5,904</u>
Cash and Cash Equivalents-January 1	6,009	6,009	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 1,809</u>	<u>\$ 7,713</u>	<u>\$ 5,904</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Building Maintenance Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	500	-	(500)
Total Receipts	<u>500</u>	<u>-</u>	<u>(500)</u>
Disbursements			
Repairs	42,000	41,626	(374)
Total Disbursements	<u>42,000</u>	<u>41,626</u>	<u>(374)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(41,500)</u>	<u>(41,626)</u>	<u>(126)</u>
Cash and Cash Equivalents-January 1	51,667	51,668	1
Transfers In	10,000	10,000	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 20,167</u>	<u>\$ 20,042</u>	<u>\$ (125)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents - Budget and Actual - Local Emergency Planning Fund: Regulatory Basis For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	500	2,813	2,313
Total Receipts	<u>500</u>	<u>2,813</u>	<u>2,313</u>
Disbursements			
Services and Other	2,895	1,322	(1,573)
Total Disbursements	<u>2,895</u>	<u>1,322</u>	<u>(1,573)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(2,395)</u>	<u>1,491</u>	<u>3,886</u>
Cash and Cash Equivalents-January 1	2,895	2,895	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 500</u>	<u>\$ 4,386</u>	<u>\$ 3,886</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Election Equipment Fund: Regulatory Basis
For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	5	11	6
Election-Entities	700	700	-
Total Receipts	<u>705</u>	<u>711</u>	<u>6</u>
Disbursements			
Services and Other	4,712	-	(4,712)
Total Disbursements	<u>4,712</u>	<u>-</u>	<u>(4,712)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(4,007)</u>	<u>711</u>	<u>4,718</u>
Cash and Cash Equivalents-January 1	7	7	-
Transfers In	4,000	4,000	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ -</u>	<u>\$ 4,718</u>	<u>\$ 4,718</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents -
Budget and Actual - Election Services Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	52	52	-
Other	1,400	1,556	156
Total Receipts	<u>1,452</u>	<u>1,608</u>	<u>156</u>
Disbursements			
Services and Other	6,111	2,380	(3,731)
Total Disbursements	<u>6,111</u>	<u>2,380</u>	<u>(3,731)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(4,659)</u>	<u>(772)</u>	<u>3,887</u>
Cash and Cash Equivalents-January 1	4,659	4,659	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ -</u>	<u>\$ 3,887</u>	<u>\$ 3,887</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Courthouse Sales Tax Fund: Regulatory Basis

For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ 310,000	\$ 340,775	\$ 30,775
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Other	-	-	-
Total Receipts	310,000	340,775	30,775
Disbursements			
Expenses	-	-	-
Total Disbursements	-	-	-
Excess (Deficiency) of Receipts Over Disbursements	310,000	340,775	30,775
Cash and Cash Equivalents-January 1	352,287	352,287	-
Transfers In	117,244	85,738	(31,506)
Transfers Out	355,188	355,188	-
Cash and Cash Equivalents-December 31	\$ 424,343	\$ 423,612	\$ (731)

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents - Budget and Actual - Courthouse Debt Service Fund: Regulatory Basis

For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	120	90	(30)
IRS	107,244	85,738	(21,506)
Other	10,000	-	(10,000)
Total Receipts	117,364	85,828	(31,536)
Disbursements			
Bond Payment	354,988	354,988	-
Annual Agent fee	200	200	-
Total Disbursements	355,188	355,188	-
Excess (Deficiency) of Receipts Over Disbursements	(237,824)	(269,360)	(31,536)
Cash and Cash Equivalents-January 1	10	9	(1)
Transfers In	355,188	355,188	-
Transfers Out	107,244	85,738	(21,506)
Cash and Cash Equivalents-December 31	\$ 10,130	\$ 99	\$ (10,031)

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri
Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Tax Maintenance Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	240	212	(28)
Other	7,795	8,965	1,170
Total Receipts	<u>8,035</u>	<u>9,177</u>	<u>1,142</u>
Disbursements			
Supplies	3,300	3,262	(38)
New Office Equipment	500	-	(500)
Mileage & Training	1,200	1,084	(116)
Dues	75	75	-
Computer Repairs	2,000	1,865	(135)
Advertisement	180	124	(56)
O.T. Gretchen	2,098	2,166	68
Gift Certificate Tax Sale Auctioneer	25	20	(5)
Postage	1,500	1,849	349
Maintenance	-	1,550	1,550
Total Disbursements	<u>10,878</u>	<u>11,995</u>	<u>1,117</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(2,843)</u>	<u>(2,818)</u>	<u>25</u>
Cash and Cash Equivalents-January 1	22,158	22,158	-
Transfers In			-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 19,315</u>	<u>\$ 19,340</u>	<u>\$ 25</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents - Budget and Actual - Domestic Violence Fund: Regulatory Basis For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	150	197	47
Fees	3,900	5,073	1,173
Total Receipts	4,050	5,270	1,220
Disbursements			
Clark County Coalition Against Domestic Violence	1,000	-	(1,000)
Total Disbursements	1,000	-	(1,000)
Excess (Deficiency) of Receipts Over Disbursements	3,050	5,270	2,220
Cash and Cash Equivalents-January 1	16,247	16,247	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	\$ 19,297	\$ 21,517	\$ 2,220

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents-
Budget and Actual - Law Enforcement Restitution Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Fees	55,000	86,811	31,811
Total Receipts	<u>55,000</u>	<u>86,811</u>	<u>31,811</u>
Disbursements			
Services and Other	96,423	85,000	(11,423)
Total Disbursements	<u>96,423</u>	<u>85,000</u>	<u>(11,423)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(41,423)</u>	<u>1,811</u>	<u>43,234</u>
Cash and Cash Equivalents-January 1	41,423	41,423	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ -</u>	<u>\$ 43,234</u>	<u>\$ 43,234</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents -
Budget and Actual - Community Service Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	6,000	3,142	(2,858)
Interest Income	-	-	-
Other	500	-	(500)
Total Receipts	<u>6,500</u>	<u>3,142</u>	<u>(3,358)</u>
Disbursements			
Salary Expenses	4,217	4,147	(70)
Miscellaneous	900	960	60
Total Disbursements	<u>5,117</u>	<u>5,107</u>	<u>(10)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>1,383</u>	<u>(1,965)</u>	<u>(3,348)</u>
Cash and Cash Equivalents-January 1	11,352	11,352	-
Transfers In	-	-	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	<u>\$ 12,735</u>	<u>\$ 9,387</u>	<u>\$ (3,348)</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents -
Budget and Actual - Domestic Violence Against Women Fund: Regulatory Basis
For the Year Ended December 31, 2015

	Final Budget	Actual	Variance
Receipts			
Taxes-Sales	\$ -	\$ -	\$ -
Taxes-Property	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Interest Income	-	-	-
Fees	-	-	-
Total Receipts	-	-	-
Disbursements			
Miscellaneous	-	-	-
Total Disbursements	-	-	-
Excess (Deficiency) of Receipts Over Disbursements	-	-	-
Cash and Cash Equivalents-January 1	(9,429)	(9,429)	-
Transfers In	9,429	9,429	-
Transfers Out	-	-	-
Cash and Cash Equivalents-December 31	\$ -	\$ -	\$ -

The Accompanying Notes are an Integral Part of the Financial Statements.

Clark County, Missouri

Notes to Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clark County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, Circuit Clerk, Collector, County Clerk, Coroner, Prosecuting Attorney, Public Administrator, Recorder, Sheriff, and Treasurer.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Clark County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the County's legal entity.

Certain elected County officials, particularly the County Collector, Treasurer, and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and are unaudited.

Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash and cash equivalents of all funds of Clark County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senior Services Board. The General Revenue Fund is the county's general operation fund, accounting for all financial resources except those whose use is restricted for specified purposes.

Basis of Accounting

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Clark County, Missouri
Notes to Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Clark County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. The following funds were deficit budgeted, Deputy Supplemental Salary, Sex Offender Compliance, Prosecuting Attorney Administrative Cost and Recorder Funds.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law.

Clark County, Missouri
Notes to Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the Sheriff's Revolving Fund and the Tax Maintenance Fund.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. The cash and cash equivalents balances are detailed in Note 2.

Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

NOTE 2 - CASH AND CASH EQUIVALENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption.

Deposits – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015, the carrying amount of the County's deposits was \$996,819 and the bank balances were \$1,153,097. Of the bank balances at December 31, 2015, \$250,000 were covered by federal depository insurance, the remainder was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

Clark County, Missouri

Notes to Financial Statements

December 31, 2015

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

At December 31, 2015, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. Tax collections on deposit amounted to \$5,015,932 at December 31, 2015. The County Collector's deposits were covered by federal depository insurance of \$250,000 as of December 31, 2015, and the remainder was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

NOTE 3- TAXES

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for calendar year 2015 were:

	General Revenue & Senior Services	Special Road and Bridge
Real Estate	\$ 64,518,593	\$ 56,270,221
Personal Property	24,883,858	24,383,510
Railroad and Utilities	18,845,791	15,312,629
Total	<u>\$ 108,248,242</u>	<u>\$ 95,966,360</u>

For calendar year 2015, the County Commission approved tax levies per \$100 of assessed valuation of tangible taxable property as follows:

	2015
General Revenue Fund	\$.3102
Special Road and Bridge Fund	.6574
Senior Services Fund	.0504

Clark County, Missouri
Notes to Financial Statements
December 31, 2015

NOTE 4-INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2015 are as follows:

<u>Fund</u>	2015	
	Transfers In	Transfers Out
General Revenue	\$ 82,924	\$ 258,709
Special Road and Bridge	-	71,395
Assessment	16,000	-
One Half Cent Sales- Road and Bridge	-	16,529
Road and Bridge Escrow	5,000	-
One Half Cent Sales-Jail Operations		
Law Enforcement	219,280	-
Building Maintenance	10,000	-
Election Equipment	4,000	-
Courthouse Sales Tax	85,738	355,188
Courthouse Debt Service	355,188	85,738
Domestic Violence Against Women	9,429	-
Total	<u>\$ 787,559</u>	<u>\$ 787,559</u>

NOTE 5 - COUNTY EMPLOYEES' RETIREMENT PLANS

County Employee's Retirement Fund (CERF)

The County Employee's Retirement Fund (Retirement Fund) was established by the State of Missouri to provide pension benefits for County officials and employees.

Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections

Clark County, Missouri
Notes to Financial Statements
December 31, 2015

NOTE 5 - COUNTY EMPLOYEES' RETIREMENT PLANS (continued)

57.949 to 57.997, RSMo. and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefits is allowed. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employees' Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, Missouri 65101, or by calling 1-877-632-2373.

Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2015, the County collected and remitted to CERF employee contributions of \$34,889.

Local Government Employees Retirement System (LAGERS)

Plan description: Clark County's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. Clark County participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the plan in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt.

Clark County, Missouri

Notes to Financial Statements

December 31, 2015

NOTE 5 - COUNTY EMPLOYEES' RETIREMENT PLANS (continued)

The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven members. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits provided: LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees covered by benefit terms: At June 30, 2015, the following employees were covered by the benefit terms:

	General	Police
Inactive employees or beneficiaries currently receiving benefits	23	8
Inactive employees entitled to but not yet receiving benefits	5	0
Active Employees	29	6
Total	57	14

Contributions: The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% of their gross pay to the pension plan. Employer contribution rates are 0.2% (General) and 0.7 % (Police) of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

Clark County, Missouri

Notes to Financial Statements

December 31, 2015

NOTE 5 - COUNTY EMPLOYEES' RETIREMENT PLANS (continued)

Actuarial assumptions. The total pension liability in the February 28, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation, 3.0% price inflation
Salary Increase	3.5% to 6.8% including wage inflation
Investment rate of return	7.25%

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females. The actuarial assumptions used in the February 28, 2015 valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

Discount rate. The discount rate used to measure the total pension liability is 7.25 %. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Clark County, Missouri
Notes to Financial Statements
December 31, 2015

NOTE 5-COUNTY EMPLOYEES' RETIREMENT PLANS (continued)

**Schedule of Changes in Net Pension Liability and Related Ratios
Year ended June 30, 2015**

	General	Police
A. Total Pension Liability		
1. Service Cost	\$51,791	\$12,982
2. Interest on Total Pension Liability	111,858	15,227
3. Changes of Benefit Terms	0	0
4. Difference between expected and actual experience of the Total pension Liability	(19,638)	(5,213)
5. Changes of Assumptions	0	0
6. Benefit payments, including Refunds of employee contributions	(155,194)	(15,118)
7. Net change in total pension liability	\$(11,183)	\$7,878
8. Total pension liability-beginning	1,593,669	211,074
9. Total pension liability-ending	\$1,582,486	\$218,952
B. Plan fiduciary net position		
1. Contributions - employer	\$4,042	\$3,736
2. Contributions – employee	31,350	7,745
3. Net investment income	46,705	5,431
4. Benefit payment, including refunds of employee contributions	(155,194)	(15,118)
5. Pension Plan Administrative Expense	(5,499)	(1,398)
6. Other (Net Transfer)	(10,338)	1,444
7. Net change in plan fiduciary net position	\$(88,934)	\$1,840
8. Plan fiduciary net position- beginning	2,185,424	283,580
9. Plan fiduciary net position- ending	\$2,096,490	\$285,420
C. Net Position Liability/(asset)	\$(514,004)	\$(66,468)
D. Plan fiduciary net position as a percentage of the total pension liability	132.48%	130.36%
E. Covered- employee payroll	\$740,173	\$193,203
F. Net pension liability as a percentage of covered employee payroll	(69.44)%	(34.40)%

Clark County, Missouri
Notes to Financial Statements
December 31, 2015

NOTE 5-COUNTY EMPLOYEES' RETIREMENT PLANS (continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25 %) or one percentage point higher (8.25 %) than the current rate.

General	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$ 1,782,302	\$ 1,582,486	\$1,414,577
Plan Fiduciary Net Position	2,096,490	2,096,490	2,096,490
Net Pension Liability/(Asset)(NPL)	\$ (314,188)	\$ (514,004)	\$(681,913)

Police	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$251,704	\$218,952	\$192,909
Plan Fiduciary Net Position	285,420	285,420	285,420
Net Pension Liability/(Asset)(NPL)	\$(33,716)	\$(66,468)	\$(92,511)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions**

If the County recorded the Pension expense on an accrual basis, below would be the disclosure. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

General	Outflows of Resources	Inflows of Resources
Differences in experience	\$ -	\$ (15,969)
Assumption Changes	-	-
Net difference between projected and actual earnings on pension plan investments	85,526	-
Total	\$ 85,526	\$ (15,969)

Clark County, Missouri
Notes to Financial Statements
December 31, 2015

NOTE 5-COUNTY EMPLOYEES' RETIREMENT PLANS (continued)

Police	Outflows of Resources	Inflows of Resources
Differences in experience	\$ -	\$ (4,213)
Assumption Changes	-	-
Net difference between projected and actual earnings on pension plan investments	12,001	-
Total	\$ 12,001	\$ (4,213)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources- General	Net Deferred Outflows of Resources- Police
2016	\$17,712	\$2,000
2017	17,712	2,000
2018	17,712	2,000
2019	17,714	2,001
2020	(1,293)	(213)
Thereafter	-	-
Total	\$69,557	\$7,788

Payable to the Pension Plan

The general division and police division reported a payable of \$(514,004) and \$(66,468), respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

401(A) Pension Plan

Participation in the plan is mandatory for all employees who have worked 1,000 hours in a calendar year. The County does not contribute to the plan. Plan participants contribute .7% of earnings to the plan.

Deferred 457 Pension Plan

Participation in the plan is voluntary for all full-time employees. Part-time employees are not eligible to participate in the plan. Plan participants can elect to contribute any whole percentage or dollar amount of their earnings to the plan. Fifty cents on the dollar is matched by CERF on the first 6% of an employee's contribution.

NOTE 6 - POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

Clark County, Missouri
Notes to Financial Statements
December 31, 2015

NOTE 7 - CLAIMS, COMMITMENT AND CONTINGENCIES

Compensated Absences

The County provides full-time employees with up to 176 hours of sick time – to accrue at one day per complete calendar month of employment. Upon termination, the employee will not be compensated for any unused sick time. Full-time employees are allowed five days personal time per calendar year with no carryover to the next year. Vacation time is awarded after each anniversary hire date. The employee receives one week after one year, one week and one day after two years, one week and two days after three years, one week and three days after four years, two weeks after five years, and two weeks plus one additional day per year over six years of service up to three weeks. Vacation time does not carry over to following years.

Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

NOTE 8 - RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

NOTE 9 – LEASES

	Balance December 31 2014	Additions	Amount Repaid	Balance December 31 2015
John Deere 770G Motorgraders	\$ 173,935	\$ -	\$ 62,972	\$ 110,963
Komatsu Hydraulic Excavator	21,460	-	21,460	-
Total	\$ 195,395	\$ -	\$ 84,432	\$ 110,963

Clark County, Missouri
Notes to Financial Statements
December 31, 2015

NOTE 9 – LEASES (Continued)

The John Deere 770G Motogradars lease bears interest at 3.0% and is scheduled to be paid in annual payments of \$38,024 (which includes interest) due October 7th of each year starting in 2015 through 2019.

The Komatsu Hydraulic Excavator financed by Komatsu Financial was paid off during 2015. The lease bears interest at .75%.

NOTE 10- LONG-TERM DEBT

In 2010, the County issued Taxable General Obligation Bonds of \$4,000,000 to provide for the construction of a new county courthouse. Taxable general obligation bonds are direct obligations of the County. The County has pledged its full faith and credit. Additionally, the County has pledged to maintain and collect revenues through sales tax sufficient to pay the principal and interest on such bonds as they become due. The bonds are due in annual installments of \$125,000 to \$360,000 through June of 2030. Interest payments are scheduled semi-annually from 2.30% to 6.50% (before federal subsidy). The schedule of bond payments and interest is listed below.

The bonds were issued through the Build America Recovery Zone Economic Development Bonds program that provides 45% in federal subsidies on the total interest requirements. The interest is paid to the County on a semi-annual basis corresponding with the interest payment dates to the bondholders. Subsidy payments were received prior to December 31, 2015, totaling \$185,765.

Date		Principal		Interest		Total
2016	\$	150,000	\$	199,362	\$	349,362
2017		150,000		193,175		343,175
2018		150,000		186,613		336,613
2019		175,000		179,082		354,082
2020		175,000		170,551		345,551
2021-2025		1,100,000		739,990		1,769,990
2026-2030		1,575,000		368,695		1,828,695
Total	\$	3,475,000	\$	2,037,468	\$	5,327,468

	Balance December 31 2014	Additions	Amount Repaid	Balance December 31 2015
Taxable General Obligation Bond	\$ 3,625,000	\$ -	\$ 150,000	\$ 3,475,000

Clark County, Missouri
Notes to Financial Statements
December 31, 2015

NOTE 10 – PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with Section 56.807 RSMo, Clark County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorney's and Circuit Attorney's Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. Clark County contributed \$2,244 for the year ended December 31, 2015.

NOTE 11-SUBSEQUENT EVENTS

Subsequent Events

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through July 27, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements. As of June 2016, the County had paid off the John Deere 770G Motorgraders.



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Member of the American
Society of Certified Public
Accountants

Member of the Missouri
Society of Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT*

AUDITING STANDARDS

To the County Commission and
Officeholders of Clark County
Kahoka, Missouri

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clark County, Missouri as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise Clark County, Missouri's basic financial statement, and have issued my report thereon, dated July 27, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements I considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County's internal control. Accordingly, I do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my testing disclosed two instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Findings and Recommendations as item 1 and 2.

Clark County's Response to Findings

The County's response to findings identified in my audit is described in the accompanying Findings and Recommendations. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entities internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entities internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lisa C. Wright CPA, LLC
Columbia, MO
July 27, 2016

**Clark County
Kahoka, Missouri
Findings and Recommendations**

1. Condition: Actual expenditures exceeded budgeted expenditures in the Tax Maintenance Fund and Sheriff's Revolving Fund. RSMo 50.740 prohibits expenditures in excess of approved budgets. Additionally, case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e. emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

Recommendation: If there are valid reasons which require excess disbursements (i.e. emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

County Response: We will continue to monitor.

2. Condition: Detail for the budget did not match general journal and subsidiary ledger in at least five categories: Other General Government (01-519), County Commission (01-511), Assessor (05-516), Other General Government (42-519), and Other General Government (30-519).

Recommendation: I recommend the County Clerk and Treasurer reconcile the subsidiary journal ledger to the General Ledger on a timely basis.

County Response: The County is implementing a system to make sure that the budget matches the general journal and the subsidiary ledger.

3. Condition: State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. The following funds were deficit budgeted, Deputy Supplemental Salary, Sex Offender Compliance, Prosecuting Attorney Administrative Cost and Recorder Funds.

Recommendation: When planning and reviewing the annual budget, I recommend for the County to follow the state's budget law closely to ensure that no funds are deficit budgeted.

County Response: The Deputy Supplemental Salary is deficit budgeted because it is a reimbursement which means the County has to spend money for receipts to come in. The Sex Offender Compliance and the Recorder Funds were deficit budgeted because they were both broken out of the general budget for the first time this fiscal year. The County will continue to monitor these funds.

Clark County
Kahoka, Missouri
Follow-Up to Prior Audit Findings for an Audit of Financial
Statements Performed in Accordance with Governmental Auditing Standards

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Clark County, Missouri, on the applicable findings in the prior audit report issued for the year ended December 31, 2014.

1. Budgetary Controls
 - A. The County did not adopt a formal budget for the Tax Maintenance and Senior Services Tax Board funds.
Status- Resolved
 - B. Actual expenditures exceeded budgeted expenditures.
Status- Not Resolved. See finding No. 1.
 - C. Deficit Fund balances at year end for the following funds, Domestic Violence Against Women and the Deputy Sheriff Salary Supplementation.
Status- Resolved
2. The County did not adopt an investment policy as required by State Statutes.
Status-Resolved
3.
 - A. The County had not adopted an official personnel manual which details policies and procedures for County employees.
Status-Resolved
 - B. Centralized records of time sheets, vacation leave, sick leave, or compensatory time earned, taken, or accumulated by employees of the Sheriff's Department were not maintained by the County Clerk. Some time sheets were not signed by employees and their supervisors.
Status- Resolved.
4. The County did not maintain a record of each employee's approved pay rate. When an employee receives a pay raise, there was no evidence in their personnel file of when and how much the raise was for nor documentation of County Commissioner or supervisor approval.
Status-Resolved
5. The County Treasurer did not have a policy for following up on checks that have been outstanding for an extended period of time.
Status-Resolved.



Office of Missouri State Auditor
Nicole Galloway, CPA

Ripley County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Ripley County

Property Tax System Controls and Procedures	Access to the property tax system is not adequately restricted. The County Clerk does not prepare the current or delinquent tax books and does not verify the accuracy of the tax books. The County Clerk and County Commission do not adequately review and approve property tax additions and abatements or compare court orders or other supporting records to actual changes made to the property tax system.
County Collector's Controls and Procedures	The County Collector has not established proper controls and procedures for recording, reconciling, and depositing monies. The County Collector and office personnel responsible for receiving and recording all monies, also have the ability to post reversals to the property tax system without obtaining independent approval.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not established proper controls and procedures for receipting and depositing. Office personnel do not prepare a monthly list of liabilities and reconcile the list to available cash balances. Office personnel did not always timely disburse bad check and court ordered restitution to victims or transmit fees to the County Treasurer.
County Procedures	Procedures and records to account for county property are not adequate. The county does not reconcile fuel usage logs to fuel purchases. The county has not received payments of \$1,008 in donations from homeowners for grading homeowners' private driveways or roadways as of December 31, 2015, with some of this amount dating back to 2008. The county should not be providing this service, because it violates Missouri Constitution, Article III, Section 38(a), which prohibits grants of public money or property to any private person.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Ripley County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Ripley County

We have audited certain operations of Ripley County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, was engaged to audit the financial statements of Ripley County for the year ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

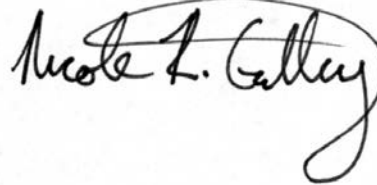
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Ripley County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Samantha Sieg
	Joel Stucky
	Carson Butts

Ripley County

Management Advisory Report

State Auditor's Findings

1. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement. The County Collector's office processed collections totaling approximately \$4.6 million during the year ended February 29, 2016.

1.1 Tax system access

Access to the property tax system is not adequately restricted. The County Collector and office personnel have access rights in the property tax system to make changes to cash and check totals in order to agree the composition of the deposit to the composition of the receipts per the daily collection reports. Personnel do not maintain documentation as to who made each change or why a change occurred. Because the County Collector and office personnel are responsible for collecting tax monies, good internal controls require they not have access rights allowing them to alter collection totals. With unrestricted access, there is an increased risk of unsupported or unauthorized changes occurring in the property tax system after property taxes are approved for the year.

To prevent unauthorized changes to the property tax records, system access should be limited based on user needs. In addition, the County Collector should contact the system programmer and request changes be made to the property tax software to prevent system totals from being manipulated manually.

1.2 Tax books

The County Clerk does not prepare the current or delinquent tax books and does not verify the accuracy of the tax books. The County Collector enters the property tax levies into the property tax system, as provided by the County Clerk, and the County Collector extends and prints the current and delinquent tax books and tax statements and verifies the accuracy of amounts to be collected. Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books. A documented review of the tax books should include verification of individual entries in the tax books and recalculating tax book totals and charges. Failure to perform adequate and documented reviews of the tax books by an independent person may result in errors or irregularities going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

1.3 Additions and abatements

The County Clerk and County Commission do not adequately review and approve property tax additions and abatements or compare court orders or other supporting records to actual changes made to the property tax system.



Ripley County Management Advisory Report - State Auditor's Findings

Additions and abatements totaling approximately \$122,000 and \$21,000, respectively, were reported on the County Collector's annual settlement for the year ended February 29, 2016.

The County Assessor prepares and posts additions and abatements to the property tax system. At the end of each month, the County Collector prints the property tax additions and abatements report. However, neither the County Clerk nor the County Commission adequately reviews and approves the additions and abatements, and no comparison to the County Assessor's supporting documentation is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected. In addition, the County Assessor, who enters additions and abatements into the computer system, is the mother of the County Collector's clerk. Because of this close relationship there is a greater risk in this area and it is especially important that the County Clerk and County Commission thoroughly review the property tax system changes.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, an independent reconciliation of approved additions and abatements to actual changes made to the property tax system would help to ensure changes are proper.

A similar condition was noted in our prior audit report.

Recommendations

- 1.1 The County Commission and the County Collector ensure property tax system access is restricted to only allow officials and personnel to access functions necessary for their duties. In addition, the system programmer should be contacted and changes requested to be made to the property tax software to prevent system totals from being manipulated manually.
- 1.2 The County Clerk prepare the current and delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be documented.
- 1.3 The County Clerk and the County Commission develop procedures to ensure all additions and abatements are properly approved timely and monitored.

Auditee's Response

The County Commission provided the following response:



Ripley County
Management Advisory Report - State Auditor's Findings

- 1.1 *We will cooperate with the County Collector to ensure the property tax system is protected from having totals being manually manipulated, provided the system changes will not be cost prohibitive.*

The County Clerk provided the following response:

- 1.2 *Without having a module of the taxation system in my office, I am unable to perform the duties relating to making changes to the tax books, entering the levy information into the system, and preparing the current and delinquent tax books. Although the County Collector enters the levy information into the system and prepares the tax books, I do review the computer printout of the levy data entered for accuracy and I check the totals of the tax book reports to verify the accuracy of the collection amount charged to the County Collector. In the future I will ensure adequate documentation is maintained to support the procedures performed.*

The County Commission and County Clerk provided the following response:

- 1.3 *We do have procedures in place to review and monitor the additions and abatements that are presented. In an attempt to ensure more timely presentation of the tax book changes by the County Assessor, we will contact her to see which week of the month will be most convenient for her and place the item of "Assessor's Presentation of Tax Book Changes" on the agenda for that week of each month.*

The County Collector provided the following response:

- 1.1 *I will meet with the system programmer and request that the system be updated so that the breakdown of deposits cannot be changed.*

2. County Collector's Controls and Procedures

2.1 Recording, reconciling, and depositing

Controls and procedures in the County Collector's office need improvement.

The County Collector has not established proper controls and procedures for recording, reconciling, and depositing monies. We noted the following concerns:

- The County Collector does not deposit receipts intact and does not maintain the change fund at a constant amount. The County Collector has established a change fund of \$400, however she does not count the change fund daily to ensure it reconciles to the established amount. A cash count of the change fund on June 1, 2016, totaled \$431. The



Ripley County Management Advisory Report - State Auditor's Findings

County Collector stated she believed the additional monies were copy monies collected and not recorded in the property tax system and therefore not included in the deposits, because deposits are prepared from the daily collection reports.

- As indicated in our two prior reports, office personnel do not always record the method of payment accurately in the property tax system, and overpayments and subsequent refunds are not reflected on daily collection reports.
- As indicated in our two prior reports, the composition of receipts (cash, check, or money order) recorded on the daily collection report is not reconciled to the composition of deposits. We identified instances where the composition of receipts on the daily collection report differed from the composition of the deposit.

In addition, the County Collector issues cash refunds for overpayments of \$5 or less. Since the cash amount is reduced, the total cash amount received does not agree to the total cash amount deposited. The County Collector did not identify or explain on the collection reports when these situations occurred.

Failure to implement adequate recording, reconciling, and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a deposit is made.

2.2 Reversals

The County Collector and office personnel responsible for receiving and recording all monies, also have the ability to post reversals to the property tax system without obtaining independent approval. Common reasons for reversals recorded in the property tax system include recording errors and returned checks. The County Collector does not retain supporting documentation detailing the reason for reversals.

To reduce the risk of loss, theft, or misuse of funds, and ensure the validity of all reversals, they should be reviewed and approved by someone independent of the reversals process.

Recommendations

The County Collector:

- 2.1 Ensure all monies collected are recorded and deposited, maintain the change fund at a constant amount, record the method of payment accurately, and reconcile the composition of receipts to the composition of deposits. The County Collector should also work with the tax system programmer to implement changes to the



Ripley County
Management Advisory Report - State Auditor's Findings

system that will allow overpayments and refunds to be properly recorded in the property tax system.

- 2.2 Ensure all reversals are reviewed and approved by someone independent of the reversals process.

Auditee's Response

The following is a corrective plan of action addressing each finding or recommendation in the auditor's report. I intend to have the improvements in place by November 2016.

- 2.1 *When inputting a tax payment, we have the option to select a payment method (cash, check, or money order). If taxpayers change their minds after we have entered it or we erroneously select the wrong method, we are unable to change the method of payment. The monies are still correct. Going forward, a procedure will be put in place to document the incorrect method on the detailed report.*

The change fund was established and was periodically reconciled. After discussion with the auditors on how to handle the fund, a procedure will be put in place on balancing and reconciling the change fund.

I will be contacting our software provider for our property tax system about adding a feature or option to record overpayments or refunds. After analysis of the cost to add this option, it will either be added to our existing software so it will be reflected on the daily collection report or I will put a procedure in place to manually document refunds on the collection report.

- 2.2 *Reasons for a reversal are either a recording error or a returned check. The returned checks are documented on the collection report manually. Going forward, reversals will be reviewed and approved. In addition, a reason will be documented.*

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The office collected approximately \$99,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.

3.1 Receipting and depositing

The Prosecuting Attorney has not established proper controls and procedures for receipting and depositing. We noted the following concerns:

- A receipt transaction report is not generated from the computer system and reconciled to the deposit. In addition, office personnel do not account for the numerical sequence of receipt transaction numbers.



Ripley County Management Advisory Report - State Auditor's Findings

- Money orders are not restrictively endorsed until the deposit is prepared. A cash count on June 1, 2016, identified 14 money orders totaling \$3,412 that had not been restrictively endorsed.
- As indicated in our prior two audit reports, receipts are not deposited timely. For example, monies received during July, totaling \$2,840 were not deposited until August 13, 2015. In addition, a restitution payment of \$50,243 received on September 25, 2015, was held for 13 days and deposited on October 8, 2015.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Procedures should be established to ensure receipts are reconciled to deposits, the numerical sequence of receipts is accounted for, and all monies received are restrictively endorsed immediately upon receipt and deposited timely.

3.2 Liabilities

Office personnel do not prepare a monthly list of liabilities and reconcile the list to available cash balances. At our request, they prepared a list of liabilities as of July 26, 2016, and identified liabilities totaling \$5,222. The reconciled bank balance was \$5,561, resulting in \$339 in unidentified monies in the account.

Without regular identification and comparison of liabilities to the available cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Such procedures are necessary to ensure monies are properly disbursed to individuals and/or entities for which the monies were collected. After sufficient efforts are made to resolve discrepancies, any remaining unidentified monies should be disposed of as provided by state law.

3.3 Disbursements

Office personnel did not always timely disburse bad check and court ordered restitution to victims or transmit fees to the County Treasurer. Bad checks, restitution, and fees totaling \$5,139 received in June 2015 were not disbursed or transmitted until August 27, 2015. In addition, a restitution payment for \$50,243 received on September 25, 2015, was not disbursed until November 7, 2015.

To ensure all disbursements are accounted for properly and reduce the risk of loss, theft, or misuse of funds, bad check and court-ordered restitution monies received should be disbursed timely. In addition, Sections 50.360 and 50.370, RSMo, require all county officials who receive fees or any other remuneration for official services to pay such monies monthly to the County Treasurer.



Ripley County
Management Advisory Report - State Auditor's Findings

Recommendations

The Prosecuting Attorney:

- 3.1 Reconcile receipts to deposits, account for the numerical sequence of receipts, restrictively endorse money orders immediately upon receipt, and deposit receipts timely.
- 3.2 Prepare lists of liabilities and reconcile the lists to available cash balances monthly. Any discrepancies should be promptly investigated and any remaining unidentified amounts should be disbursed in accordance with state law.
- 3.3 Disburse restitution monies timely and transmit fees monthly to the County Treasurer in accordance with state law.

Auditee's Response

- 3.1 *We have purchased a "for deposit only" stamp and use it on all receipts as they come in. We did not have Karpel set up for restitution until 2016. We have now utilized the Karpel restitution module to reconcile receipts to deposits and account for the numerical sequence of receipts. We attempt to deposit daily, but no less than weekly.*
- 3.2 *We now prepare a monthly list of liabilities from Karpel and reconcile the total to the cash balance. We will continue to monitor the difference and dispose of it in accordance with state law.*
- 3.3 *The delays occurred due to the repeated illness of the office manager in charge of making these disbursements. The new financial secretary is using the new Karpel system to avoid these problems in the future. All monies are now disbursed before the 10th of the following month.*

4. County Procedures

Improvements are needed in the county's procedures over capital assets, fuel use, and grading of private roads.

4.1 Capital assets

Procedures and records to account for county property are not adequate. At December 31, 2015, county property, excluding buildings, was valued at approximately \$1.7 million on the county's insurance policy. In addition, the county does not have adequate procedures in place to identify and record capital asset purchases and dispositions throughout the year. Although the County Clerk sent out an initial memo in September 2015, and a follow up memo in November 2015, she did not receive the requested annual inventory reports from the County Collector, the County Treasurer, and the Road and Bridge department. In addition, the inventory reports submitted by other officials lacked some necessary information such as tag numbers, purchase dates, acquisition costs, serial numbers, and disposal information. Several officials including the County Assessor, Recorder of Deeds, Prosecuting Attorney, Public Administrator, and Sheriff told us assets in



Ripley County Management Advisory Report - State Auditor's Findings

their offices were not tagged or properly identified as county property. As a result, the county's capital asset records are not complete and up to date.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to physical inventory results would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets and deter and detect theft of assets. Section 49.093, RSMo, provides that the officer or designee of each county department is responsible for performing annual inspections and inventories of county property used by that department and for submitting an inventory report to the County Clerk.

4.2 Fuel use

The county does not reconcile fuel usage logs to fuel purchases. During the year ended December 31, 2015, fuel purchases totaled approximately \$56,000 for the Road and Bridge department and \$25,000 for the Sheriff's office.

The fuel purchased by the Road and Bridge department is stored in 3 bulk fuel tanks at the county's shop. The fuel purchased by the Sheriff's office is stored in a bulk fuel tank located in the City of Doniphan's fuel depot. Although logs of fuel dispensed from bulk fuel tanks are maintained, these logs are not reconciled to fuel purchases.

Procedures for reconciling fuel use to fuel purchases are necessary to ensure vehicles and equipment are properly utilized; prevent paying vendors for improper amounts; and decrease the risk of loss, theft, or misuse of fuel going undetected.

4.3 Road grading

The county has not received payments of \$1,008 in donations from homeowners for grading homeowners' private driveways or roadways as of December 31, 2015, with some of this amount dating back to 2008. The county collected \$341 in donations for grading homeowners' private driveways or roadways during the year ended December 31, 2015.

The county will grade homeowners' driveways or roadways upon request in exchange for a donation to the county. A homeowner can flag down a Road and Bridge employee grading county roads in the area and ask them to grade the roadway on the homeowner's land. The homeowner is informed the county requests a donation be made of \$65 per hour of work performed and payment to be made to the County Treasurer. The Road and Bridge employee will document the homeowner's name and the amount of time spent grading the road and turn the information over to the County Treasurer. The County Treasurer indicated the county does not send a bill to the homeowner or follow up on unpaid amounts.



Ripley County Management Advisory Report - State Auditor's Findings

Utilizing county equipment and personnel to perform services for non-county maintenance is not a necessary or efficient use of taxpayers' monies. In addition, the county is exposing itself to potential liability claims for injury or damage to county employees and equipment. Further, not having procedures to issue invoices or follow up on amounts owed from homeowners could result in the county incurring costs without being reimbursed. Missouri Constitution, Article III, Section 38(a), prohibits grants of public money or property to any private person.

Similar conditions previously reported Recommendations

Similar conditions to sections 4.1 and 4.2 were noted in our prior 2 audit reports.

The County Commission:

- 4.1 Work with county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, purchases and dispositions of assets are tracked, and assets are tagged as county property.
- 4.2 Ensure fuel logs are reconciled to fuel purchases and any significant differences identified should be investigated.
- 4.3 Discontinue the practice of performing road grading services on private roads. In addition, the county should bill and collect all outstanding amounts owed from homeowners.

Auditee's Response

The County Commission provided the following responses:

- 4.1 *Each year we, or the County Clerk, send a memo to the elected officials and department heads reminding them to submit asset inventory reports and in the memo format and tagging requirements are addressed. We will send an additional memo to everyone emphasizing the need for complete and accurate inventory records. The County Commissioners note that although there was a change in the Road and Bridge department personnel and they did not follow up on filing an asset inventory for 2015, the 2016 report is already on file.*
- 4.2 *We will devise a system to reconcile Road and Bridge department fuel usage to purchases and will urge the Sheriff's office to do the same.*
- 4.3 *While we understand the concern of the auditors, we believe it is a benefit to the constituency as well as to the county to grade private drives. Quite often grading of the driveways helps a drainage issue that could affect the county road. Recipients of the service are asked*



Ripley County
Management Advisory Report - State Auditor's Findings

to make a contribution to the county that offsets the cost to the county of labor, fuel, equipment, etc. We have a system in place that tracks the grading service provided and should someone not make a contribution for reimbursement, the grading service is not performed in the future.

The County Collector provided the following response:

- 4.1 *I will prepare a capital asset listing for my office by the end of the year and will tag the capital assets in my office.*

The Prosecuting Attorney provided the following response:

- 4.1 *I will be happy to work with the county to properly label all county property in the office.*

The County Treasurer provided the following response:

- 4.1 *I will work to better ensure the asset purchases/inventories are provided to the appropriate authority.*

The Public Administrator provided the following response:

- 4.1 *I will work harder to ensure that all items belonging to Ripley County are clearly labeled for identification.*

The Recorder of Deeds provided the following response:

- 4.1 *I will endeavor to meet the requirements accordingly as required by law.*

Ripley County

Organization and Statistical Information

Ripley County is a county-organized, third-class county. The county seat is Doniphan.

Ripley County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 38 full-time employees (including elected officials) and 6 part-time employees on December 31, 2015.

In addition, county operations include the Senate Bill 40 Board, Senior Citizen Board, and Law Enforcement Restitution Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
William D. Kennon Jr., Presiding Commissioner	\$	28,136
David Johnson, Associate Commissioner		25,186
Jerry Halley, Associate Commissioner (1)		8,686
Johnny Taylor Jr., Associate Commissioner (1)		7,346
June Watson, Recorder of Deeds		39,600
Becky York, County Clerk		39,600
Christopher J. Miller, Prosecuting Attorney		47,300
Ron Barnett, Sheriff		42,400
Terry L. Slayton, County Treasurer		39,600
Mike Jackson, County Coroner		10,600
Diane Knight Moore, Public Administrator		38,160
Marcia L. Tackett, County Collector (2), year ended February 29,	42,401	
Jan Spencer, County Assessor, year ended August 31,		38,160
William Troy Ayers, County Surveyor		3,000

(1) Johnny Taylor Jr. served as Associate Commissioner until April 19, 2015. Jerry Halley was appointed Associate Commissioner and sworn into office on August 27, 2015.

(2) Includes \$2,801 of commissions earned for collecting city and drainage property taxes.



Office of Missouri State Auditor
Nicole Galloway, CPA

Mississippi County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Mississippi County

Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not perform a documented supervisory review of detailed accounting and bank records. Sheriff's office personnel do not prepare a monthly list of liabilities and agree the total to the reconciled bank balance for the inmate account. The Sheriff's petty cash fund ledger is not updated timely, and is short \$239 because there were no paid receipts to support how the \$239 was spent.
Property Tax System	The county has not adequately restricted property tax system access. The County Commission does not approve all court orders for property tax additions and abatements. The County Commission did not approve any additions and abatements from October 2015 to February 2016. The County Clerk did not prepare or verify the accuracy of the current or delinquent tax books for the 2015 tax year.
County Collector's Controls and Procedures	The County Collector has not adequately segregated accounting duties and does not perform an adequate supervisory review of detailed accounting and bank records. The County Collector does not prepare accurate bank reconciliations. The bank reconciliation prepared for February 2016 did not include 2 outstanding checks totaling \$146, and the reconciled bank balance did not agree to the book balance. The County Collector maintains an inactive bank account with an unidentified balance of over \$4,000.
Electronic Data Security	Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access. The County Collector's office has not disabled the user account of a part-time seasonal employee who has not worked in the office since January 2014.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Mississippi County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Mississippi County

We have audited certain operations of Mississippi County in fulfillment of our duties under Section 29.230, RSMo. In addition, Lisa C. Wright, LLC, Certified Public Accountant, was engaged to audit the financial statements of Mississippi County for the year ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

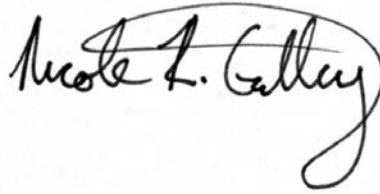
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Mississippi County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Rachelle Thompson
Audit Staff:	Devin Jackson
	Margie Freeman, CPA
	Xun Chen

Mississippi County Management Advisory Report State Auditor's Findings

1. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office processed approximately \$218,000 in civil and criminal process fees, bonds, prisoner board, and other miscellaneous fees during the year ended December 31, 2015.

1.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform a documented supervisory review of detailed accounting and bank records. The Office Manager is primarily responsible for all accounting duties including receiving, recording, depositing, and disbursing monies, and reconciling the fee and inmate bank accounts.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits and disbursements to supporting documentation.

1.2 Liabilities

Sheriff's office personnel do not prepare a monthly list of liabilities and agree the total to the reconciled bank balance for the inmate account. At our request, a list of liabilities was prepared as of December 31, 2015, and totaled \$7,257. Liabilities exceeded the December 31, 2015, reconciled bank balance of \$6,930 by \$327. Office personnel could not provide an explanation for the shortage.

To ensure records are in balance, identify errors timely, and ensure sufficient cash is available for payment of amounts due, liabilities should be identified monthly and reconciled to cash balances. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed.

1.3 Petty cash

The Sheriff's petty cash fund ledger is not updated timely. During a cash count performed on April 12, 2016, we counted \$331 on hand and \$140 in paid receipts, for a total of \$471. The fund's accounting ledger, which had not been updated since January 27, 2016, listed a balance of \$710. Thus, the fund is short \$239 because there were no paid receipts to support how the \$239 was spent.

To safeguard against possible loss, theft, or misuse of funds, the petty cash fund ledger should be updated after each use of petty cash. The cash on hand should be periodically counted and reconciled to the accounting ledger and any differences investigated.



Mississippi County
Management Advisory Report - State Auditor's Findings

Similar conditions
previously reported
Recommendations

Similar conditions to sections 1.1 and 1.2 were noted in our prior 2 audit reports.

The Sheriff:

- 1.1 Segregate accounting duties or ensure documented independent or supervisory reviews of detailed accounting and bank records are performed.
- 1.2 Prepare a list of liabilities monthly and agree the total to the reconciled bank balance. The shortage in the account should be investigated and resolved.
- 1.3 Update the petty cash ledger timely, investigate the shortage in the petty cash fund, and periodically count and reconcile the fund to its accounting ledger.

Auditee's Response

- 1.1 *We will implement controls that will help with the accountability in accounting duties. With a small staff, this is a trying task. To date, we have implemented a procedure that has two people counting inmate money weekly. Once the money is counted both parties will sign off on the report of receipts collected (draw consolidations). Next, one will prepare the deposit and the other will physically take it to the bank. A receipt for the deposit is brought back and I will initial the receipt and it will be placed with the transactions for that date. In addition, I will begin initialing the monthly bank reconciliations. This will be a continuous process and we will continue to develop ways to improve accountability.*
- 1.2 *A monthly list of liabilities will be prepared. This will be reviewed for any errors or deficiencies. We are currently looking into the deficiency of \$327. This shortage is believed to be a result of inmate credits not being properly processed over a period of time. This is a result of inmates being reimbursed for errors in the commissary. However, the amount owed to the commissary vendor has not been reflecting the credit. As mentioned, it is a process because it has been over a span of 4 or 5 years. It is noted that reconciling monthly will solve this problem.*
- 1.3 *The petty cash fund will be reconciled more frequently. The plan is to reconcile quarterly. All receipts will be kept. In addition, any invoices paid by me that are not then reimbursed by the county will also be kept with the ledger.*



Mississippi County
Management Advisory Report - State Auditor's Findings

2. Property Tax System

Controls and procedures over the property tax system need improvement. For the year ended February 29, 2016, property taxes and other monies collected by the County Collector totaled approximately \$8.8 million.

2.1 Computer access

The county has not adequately restricted property tax system access. The County Collector has access rights in the property tax system that allows changes to be made to individual tax records throughout the tax year. Because the County Collector is responsible for collecting tax monies, good internal controls require the County Collector not have access rights allowing alteration or deletion of property tax billing information.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the deletion or alteration of data files and programs.

2.2 Additions and abatements

The County Commission does not approve all court orders for property tax additions and abatements. During the year ended February 29, 2016, additions totaled approximately \$151,000 and abatements totaled approximately \$137,000.

The County Assessor and County Collector process additions and abatements and print a court order for review and approval by the County Commission. We reviewed 10 additions and abatements for the year ended February 29, 2016, and determined only one of the 10 court orders was approved by the County Commission. The County Commission did not approve any additions and abatements from October 2015 to February 2016.

Section 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, periodic reviews and timely approvals of additions and abatements, along with an independent reconciliation of approved additions and abatements to corrections made to the property tax system, would help ensure changes are proper.

2.3 Tax books

The County Clerk did not prepare or verify the accuracy of the current or delinquent tax books for the 2015 tax year. The County Clerk enters the property tax levies into the property tax system and extends the current and delinquent tax books. The County Collector then prints the tax books and tax statements. According to the County Clerk, he tested and verified the accuracy of the tax books in prior years but his attempts to verify the accuracy for the 2015 tax year were unsuccessful because the County Assessor and County Collector use separate computer systems that are not completely compatible. Because the County Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the



Mississippi County Management Advisory Report - State Auditor's Findings

accuracy of the property tax books. A review of tax books should include verification of individual entries in the tax books and recalculating tax book totals and charges. Failure to perform adequate reviews of the tax books by an independent person may result in errors or irregularities going undetected.

Section 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

Recommendations

- 2.1 The County Commission ensure property tax system access is limited to only what is needed for the users to perform their job duties and responsibilities.
- 2.2 The County Commission and the County Clerk ensure all property tax additions and abatements are properly approved and monitored.
- 2.3 The County Clerk prepare the current and delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be documented.

Auditee's Response

The County Commission provided the following response:

- 2.1 *The reason for the property tax system being accessible by the County Collector was due to the fact that the County Assessor and the County Collector were on two separate software systems that were not compatible. The County Assessor would only make changes to her property tax system and take a printed copy of the changes to the County Collector so the County Collector could make changes in her property tax system. The two incompatible systems created this scenario, however the County Assessor is currently soliciting proposals for new software and the County Commission has requested that it be compatible with the County Collector's software in order to avoid this situation in the future.*

The County Commission and the County Clerk provided the following response:

- 2.2 *The County Commission and the County Clerk have no knowledge of when changes are made to data in the property tax system unless the County Assessor or the County Collector provides information that changes were made. That information is normally provided via*



Mississippi County
Management Advisory Report - State Auditor's Findings

a printed report brought to the County Clerk's office from the County Assessor's office and subsequently presented to the County Commission for approval. When those reports are not brought to the County Clerk's office for presentation to the County Commission, there is no way of knowing that any changes were made in the system. There was a period of several months toward the end of 2015 to the beginning of 2016 when no reports were brought from the County Assessor's office to the County Clerk's office for presentation to the County Commission, therefore there was a breakdown in the process. The County Assessor has since been advised to bring all reports of additions and abatements to the County Clerk's office on a timely basis for approval by the County Commission.

The County Clerk provided the following response:

- 2.3 *The County Clerk has made attempts to reconcile the tax books and will continue to perform the activities required by law, with regard to the tax books, insofar as practicability is concerned. The County Clerk maintains an account book on the County Collector as a system of checks and balances. At the end of the tax year, the credits given in the County Clerk's account book each month to the County Collector for collections is deducted from the amount charged at the beginning of the year to arrive at a delinquent tax total, adjusted for additions and abatements. At the end of the tax year, the County Collector provides the County Collector's annual settlement to the County Clerk for reconciling the annual settlement to his account book to ensure the two balance. For the 2015 tax year, the County Clerk made numerous attempts to balance with the County Collector's annual settlement but was unable to do so in some categories and his workpapers were provided to the auditors to evidence his attempts. Upon notification that some categories did not balance, the County Collector provided some untimely explanations as to why this occurred.*

3. County Collector's Controls and Procedures

Controls and procedures in the County Collector's office need improvement.

3.1 Segregation of duties

The County Collector has not adequately segregated accounting duties and does not perform an adequate supervisory review of detailed accounting and bank records. All employees receive and record monies in the property tax system and are responsible for preparing deposits for receipts they collect. The County Collector does not perform routine detailed reviews of



Mississippi County Management Advisory Report - State Auditor's Findings

employee deposits or compare receipt records to deposits to ensure all monies receipted were deposited.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, and depositing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits.

3.2 Bank reconciliations and liabilities

The County Collector does not prepare accurate bank reconciliations. The bank reconciliation prepared for February 2016 did not include 2 outstanding checks totaling \$146, and the reconciled bank balance did not agree to the book balance because of an error in the daily cash balance ledger. The County Collector uses the cash receipts register log as a list of liabilities, but the list was not compared with the reconciled bank balance. As of February 29, 2016, the County Collector's reconciled bank balance was \$276,511 and the list of liabilities totaled \$274,489, resulting in an unidentified balance of \$2,022.

Preparing accurate monthly bank reconciliations helps ensure records are accurate and increases the likelihood errors will be identified. Regular comparison of liabilities to the reconciled bank balance is necessary to ensure records are in balance, monies are available to satisfy all liabilities, and monies are disbursed timely. Differences must be adequately investigated and explained. Various statutory provisions provide for the disposition of unidentified monies.

A similar condition was noted in our prior audit report.

3.3 Inactive bank account

The County Collector maintains an inactive bank account. As of February 29, 2016, the bank account balance was \$4,167 and the County Collector did not know to whom this money is owed.

Maintaining an inactive account increases the risk of loss, theft, or misuse of funds. If how to distribute this money cannot be determined, the County Collector should dispose of it in accordance with state law and close the account.

Recommendations

The County Collector:

- 3.1 Segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed.



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- 3.2 Prepare complete and accurate monthly bank reconciliations, agree the list of liabilities to the reconciled bank balance monthly, and promptly investigate any differences. After sufficient efforts are made to resolve differences, any remaining unidentified monies should be disposed of in accordance with state law.
- 3.3 Dispose of monies held in the inactive bank account in accordance with state law and close the account.

Auditee's Response

- 3.1 *We will implement the recommendation.*
- 3.2 *We have implemented the recommendation. We are currently investigating the unidentified balance.*
- 3.3 *We are in the process of disposing these monies. As of September 30, 2016, the balance in the account was \$929.*

4. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access. Although the County Commission has established a computer security control policy as of January 2016 that addresses user passwords, computer inactivity, logon failures, data storage, and contingency plans, we noted multiple offices still had not established adequate computer controls.

4.1 Passwords

The County Collector and County Assessor have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user. In addition, passwords are not kept confidential in the County Collector or Prosecuting Attorney's offices. In the County Collector's office, user IDs and passwords are stored in the vault where all employees have access to them. In the Prosecuting Attorney's office, an office clerk maintains an envelope containing the user IDs and passwords of all office employees. Also, the County Assessor office employees use the same ID and password for the office's primary computer program.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords in some offices do not have to be periodically changed and are not always kept confidential, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.



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A similar condition was noted in our prior 2 audit reports.

4.2 User access

The County Collector's office has not disabled the user account of a part-time seasonal employee who has not worked in the office since January 2014. Without effective procedures to remove user access, unauthorized individuals could have access to confidential data and other sensitive resources.

Recommendations

The County Commission work with other county officials to:

- 4.1 Require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.
- 4.2 Ensure accounts of former employees are promptly disabled to prevent unauthorized access to county data.

Auditee's Response

The County Commission provided the following responses:

- 4.1 *The County Commission will communicate with other county officials on the subject of computer security and request that employee passwords be changed periodically to enhance computer security to prevent unauthorized access to the county's computers and data.*
- 4.2 *The County Commission will communicate with other county officials on the subject of computer security and request that accounts of former employees be promptly disabled upon separation from the county in order to prevent unauthorized access to the county's computers and data.*

The County Collector provided the following response:

- 4.2 *We will contact our computer programmer to disable the account.*

Mississippi County

Organization and Statistical Information

Mississippi County is a county-organized, third-class county. The county seat is Charleston.

Mississippi County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 67 full-time employees (including elected officials) and 16 part-time employees on December 31, 2015.

In addition, county operations include the Senate Bill 40 Board and the Senior Citizens Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Carlin Bennett, Presiding Commissioner	\$	29,720
Darrell Jones, Associate Commissioner		27,720
Mitch Pullen, Associate Commissioner		27,720
George Bays, Recorder of Deeds		42,000
Hubert DeLay Jr., County Clerk (1)		60,200
Darren Cann, Prosecuting Attorney		134,388
Keith Moore, Sheriff		46,200
Sandra B. Morrow, County Treasurer (2)		42,510
Terry A. Parker, County Coroner		12,600
Julie Summers-Day, Public Administrator		42,000
Ann McCuiston, County Collector (3), year ended February 29,	56,780	
Lisa Finley-Norton, County Assessor, year ended August 31,		42,000

- (1) Includes \$18,200 annual compensation for additional administrative services to the County Commission.
- (2) Includes \$510 of commissions earned for maintaining the accounts for the Drainage Districts.
- (3) Includes \$15,641 of commissions earned for collecting drainage and city property taxes.



Office of Missouri State Auditor
Nicole Galloway, CPA

Sunshine Law Review



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Sunshine Law Review

Background and Overall Conclusion

The Sunshine Law Review began with the random statistical selection of 326 political subdivisions from the 4,113 political subdivisions maintained in the State Auditor's Office database. To meet the objectives of the review, we sent a letter (see Appendix A) prepared in a manner that resembled a public records request from a private citizen. The letter requested minutes for the last board meeting held in 2015, along with the notice and agenda for that meeting. Political subdivisions were also asked to provide the name and contact information for the custodian of records. In addition, they were asked to respond if the entity had a policy or ordinance regarding recording of public meetings, and, if so, to provide a copy of the policy or ordinance.

We concluded that more than a third of political subdivisions included in our sample, or approximately 893 of the 4,113 (21.7 percent) political subdivisions, would not respond to a Sunshine Law request timely. In addition, based on the results of our statistical sample, we estimate 638 of the 4,113 (15.5 percent) political subdivisions would not respond to public record requests. We also estimate 2,727 of the 4,113 (66.3 percent) political subdivisions would not fully comply with public record requests. Some sampled political subdivisions did not respond to, denied, or delayed responses to the requests. By failing to properly and timely respond to requests or denying requests unjustifiably, political subdivisions risk fines, lawsuits, and loss of credibility with their constituency.

Response Compliance

Under the Sunshine Law, public entities have 3 days to respond or acknowledge receipt of the records request. Of the 326 request letters mailed on August 2, 2016, 309 letters were delivered to the recipient address, while 17 were not confirmed as delivered by the USPS. Of the 309 political subdivisions that received the public records request, 48 did not respond at all, for an error rate of 15.5 percent. Of the 261 responses received, 194 responses (74.3 percent) were sent within 3 days, while 67 political subdivisions (25.7 percent) provided responses after the 3 day timeline. Four political subdivisions denied the request unless we responded with clarification of the purpose of the request, provided how the information was to be used, or appeared in person to obtain the documents; none of which are allowable reasons under the law. Only 91 respondents (29.4 percent) of political subdivisions receiving our request, fully complied with all aspects of it.

Meeting Notices and Agendas

For meeting notices and agendas received as a part of our public record requests we evaluated compliance with meeting notice requirements including the following: (1) time; (2) date; (3) location; (4) tentative agenda; and; (5) proper citation of proposed closed sessions, when applicable. Of the 185 meeting notices received, 32 (17.3 percent) did not provide at least 1 of the required elements. Eighteen political subdivisions could not provide a public meeting notice as requested. Of the tentative agendas that proposed a closed session, 15 did not properly cite the reason for closure.

Meeting Minutes

Full compliance with meeting minutes requirements was measured as providing the date, time, location, and attendance of board members. Of the

201 political subdivisions provided meeting minutes, 74 (36.8 percent) omitted at least 1 required element from the minutes.

Fee Assessment

Of the 309 delivered public record requests, 43 political subdivisions requested payment prior to providing documentation, as allowed by the Sunshine Law. Most fees assessed were in compliance with the law. However, some fees requested to fulfill our requests were not compliant with the Sunshine Law or seemed unreasonable.

Due to the nature of this report, no rating has been provided.

Sunshine Law Review

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The State Auditor performed a review of compliance with requests for records under the Sunshine Law, Chapter 610, RSMo. The objectives of the review were to determine if political subdivisions were aware of the responsibilities to provide public records upon request and whether information provided met Sunshine Law requirements. Specific statutory requirements reviewed included:

1. Was a response provided within the allowed time period?
2. Were all records requested received and all questions presented addressed?
3. Were requirements for meeting notices, agendas, and minutes met?
4. Were assessed fees in compliance with Sunshine Law provisions?

We concluded that more than a third of political subdivisions included in our sample, or approximately 893 of the 4,113 (21.7 percent) political subdivisions, would not respond to a Sunshine Law request timely. In addition, based on the results of our statistical sample, we estimate 638 of the 4,113 (15.5 percent) political subdivisions would not respond to public record requests. We also estimate 2,727 of the 4,113 (66.3 percent) political subdivisions would not fully comply with public record requests. Some sampled political subdivisions did not respond to, denied, or delayed responses to the requests. By failing to properly and timely respond to requests or denying requests unjustifiably, political subdivisions risk fines, lawsuits, and loss of credibility with their constituency.

The Results section presents comments, findings, and conclusions arising from our Sunshine Law Review.

Nicole R. Galloway, CPA
State Auditor

The following staff participated in the preparation of this report:

Director of Audits:	Regina Pruitt, CPA
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Associate General Counsel:	Yamini Laks
Staff:	Sheila Hohenstreet

Sunshine Law Review

Introduction

Background

Missouri's commitment to openness in government is set in Chapter 610, RSMo. Referred to as the Sunshine Law, the intent of the law is to ensure that public governmental bodies conduct their business in a manner that is open to public scrutiny. It is the policy of the state that meetings, votes, actions, and deliberations of public governmental bodies be open to the public unless otherwise provided by law.

Section 610.010, RSMo, defines public governmental bodies as legislative, administrative, or other governmental political subdivisions created by the constitution or statutes of the state, or by order or ordinance of any political subdivision or district as well as judicial political subdivisions when operating in an administrative capacity. A non-exhaustive list includes state agencies and officials, governing bodies of institutions of higher education, and any department of any political subdivision of the state, county, or municipal government, school district, or special-purpose district, including sewer and water districts.

Section 610.011, RSMo, mandates all public meetings of public governmental bodies shall be open to the public, all public records of public governmental bodies shall be open to the public for inspection and copying, and all public votes of public governmental bodies shall be recorded.

Section 610.020, RSMo, mandates minutes of open and closed meetings shall be taken and retained by the public governmental body, including, but not limited to, a record of any votes taken at such meetings. The minutes shall include the date, time, place, members present, members absent, and a record of any votes taken. In addition, Section 610.020, RSMo, mandates all public governmental bodies shall give notice of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably expected to advise the public of the matters to be considered. Also, Section 610.020, RSMo, allows for the recording by audiotape, videotape, or other electronic means of any open meeting. A public body may establish guidelines regarding the manner in which such recording is conducted so as to minimize disruption to the meeting. No audio recording of any meeting, record, or vote closed pursuant to the provisions of Section 610.021, RSMo, shall be permitted without permission of the public body.

Section 610.021, RSMo, outlines the reasons permitting meetings of a public governmental body to be closed. These reasons include legal actions, real estate transactions, personnel decisions, state militia, health proceedings, scholastic discipline, testing and exam materials, welfare cases, preparation and discussion of governmental work product, software codes, bidding, proprietary information, municipal hotlines, auditor communications, operational procedures, security systems, computer security, identifiable banking information such as credit card numbers, and records submitted by an individual or private business. Proper citation of the



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Introduction

closed meeting must be noticed under Section 610.022.2, RSMo, which states a public governmental body proposing to hold a closed meeting or vote shall give notice of the time, date, and place of such closed meeting or vote and the reason for holding it by reference to the specific statutory section as outlined above.

Section 610.023, RSMo, prescribes that each public governmental body shall make that body's public records available for inspection and copying by the public. Each request for access to a public record shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request is received by the custodian of records of a public governmental body. If access to the public record is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay, and the place and earliest time and date that the record will be available for inspection. This period for document production may exceed 3 days for reasonable cause. If a request for access is denied, the custodian shall provide, upon request, a written statement of the grounds for such denial. Such statement shall cite the specific provision of law under which access is denied and shall be furnished to the requester no later than the end of the third business day following the date that the request for the statement is received. If records are requested in a certain format, the public body shall provide the records in the requested format, if such format is available. This section also requires each public governmental body to appoint a custodian who is to be responsible for the maintenance of that body's records. The identity and location of a public governmental body's custodian is to be made available upon request.

Section 610.026, RSMo, allows public governmental bodies to charge fees for providing access to and/or copies of public records and provides requirements related to fees. Prior to producing copies of the requested records, the person requesting the records may request the public governmental body to provide an estimate of the cost. Documents may be furnished without charge or at a reduced charge when the public governmental body determines that waiver or reduction of the fee is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the public governmental body. Payment of fees may be requested prior to providing copies of public records.

Section 610.027, RSMo, prescribes that any aggrieved person, taxpayer or citizen of, this state, or the attorney general or prosecuting attorney, may seek judicial enforcement of the requirements of the Sunshine Law. Suits to enforce the stated sections shall be brought in the circuit court for the county in which the public governmental body has its principal place of business. Upon a finding by a preponderance of the evidence that a public governmental body or a member of a public governmental body has



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knowingly violated the Sunshine Law, the public governmental body or the member shall be subject to a civil penalty in an amount up to \$1,000. If there was a knowing violation of the stated sections, the court may order the payment by such body or member of all costs and reasonable attorney fees to any party successfully establishing a violation. Upon a finding by a preponderance of the evidence that a public governmental body or a member of a public governmental body has purposely violated the Sunshine Law, the public governmental body or the member shall be subject to a civil penalty in an amount up to \$5,000. If the court finds that there was a purposeful violation of the Sunshine Law, then the court shall order the payment by such body or member of all costs and reasonable attorney fees to any party successfully establishing such a violation. The court shall determine the amount of the penalty by taking into account the size of the jurisdiction, the seriousness of the offense, and whether the public governmental body or member of a public governmental body has violated the Sunshine Law previously.

Scope and Methodology

Our Sunshine Law review began with the random statistical selection of 326 political subdivisions from the 4,113 political subdivisions maintained in the State Auditor's Office (SAO) database of governmental political subdivisions.¹ To determine the sample size, we used a 95 percent confidence level with an expected error rate of 7 percent. The sample size was selected to obtain a representative statistical sample to determine the number of political subdivisions that are likely to comply with Sunshine Law requirements. The results of selected political subdivisions allowed us to project the number of political subdivisions likely to properly respond to Sunshine Law requests or comply with certain aspects of the Sunshine Law.

To meet the objectives of the review, we sent a letter (see Appendix A) prepared in a manner that resembled a public records request from a private citizen. The letter requested minutes for the last board meeting held in 2015, along with the notice and agenda for that meeting. Political subdivisions were also asked to provide the name and contact information for the custodian of records. In addition, they were asked to respond if the political subdivision had a policy or ordinance regarding recording of public meetings, and, if so, to provide a copy of the policy or ordinance. The request also asked that any fees be waived, but if fees could not be waived, the political subdivision was asked to provide advance notice of any fees that would exceed \$10. We sent initial requests on August 2, 2016, with responses received through September 16, 2016, considered in the evaluation of compliance with the Sunshine Law.

¹ The database consists of all political subdivisions the SAO is aware of. It is possible there are political subdivisions in existence but the SAO has not been notified of their creation or political subdivisions that no longer exist, but the SAO has not been notified of their dissolution.



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The intent of this review was to evaluate compliance with the Sunshine Law without creating a burdensome or costly request. Requesting recent meeting minutes and notices was to minimize research and duplication time so that no request was for information that would have been archived or voluminous. The intent of requesting custodian of records information was to confirm if this basic requirement of the Sunshine Law was met.

The sample included the following types of political subdivisions and number of each:

Political Subdivision by Type	Number
Cities	47
School Districts	36
Transportation Development Districts	24
Fire Protection Districts	24
Townships	23
Public Water Supply Districts	23
Community Improvement Districts	22
Villages	18
Soil and Water Conservation Districts	16
Library Districts	15
Levee/Drainage Districts	14
Special Road Districts	13
Ambulance Districts	11
Counties	11
Health Departments/Health Centers	9
911 Boards/Emergency Services	4
Sewer Districts	4
Special Business Districts	4
Nursing Home Districts/Adult Care Centers	3
Towns	3
Hospital Districts	2
Total	326

We reviewed the requirements of the Sunshine Law and focused our review on responsiveness and compliance of responses received. Provisions of the Sunshine Law unrelated to our requests were not included in the scope of this review. We applied the following assumptions and criteria in this review:

- There is no distinction between political subdivisions as to size, mission, function, geographic location, and population served regarding the responsibility to respond to requests for records.
- We considered a political subdivision in compliance with Section 610.023.3, RSMo, that requires responses within a certain time period,



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if it requested clarification of the request, provided documentation, or requested payment prior to delivery of documents within 3 business days of receipt. We determined date of receipt by the political subdivision based on United States Postal Service (USPS) tracking of the certified letter and the response date by the USPS postmark date on the envelope containing the response. Results may have differed had we paid requested fees or considered communications and documents received after September 16, 2016, in the review results.

- We evaluated meeting minutes and notices, including the agendas, for compliance with Sections 610.020.1 and 610.020.7, RSMo, which require documentation of the date, time, and location of the meeting. In addition, we reviewed meeting minutes for a roll call of attendance of board or commission members serving the political subdivision. Also, we reviewed meeting notices to ensure any closed meetings were properly noticed on the meeting agenda as required by Sections 610.021 and 610.022.2, RSMo.
- We considered our request to identify the custodian of records as compliant with Section 610.023.1, RSMo, if the response included the name and contact information of the custodian of records.
- We considered our request regarding the recording policy or ordinance as compliant with Section 610.023, RSMo, if the question was answered "No" and if the entity answered "Yes" and a copy of the policy or ordinance was provided or we were directed to the availability of the policy or ordinance, such as on the entity's website.

A summary of the findings and conclusions reached based upon our review of responses from the sampled political subdivisions have been documented in the Results section. Detailed results by political subdivision are documented in Appendixes B, C, D, E, F, and G.

Sunshine Law Review

Results

1. Response Compliance

We tested to determine whether political subdivisions provided requested records and responded to questions presented in our request letter. The propriety and timeliness of responses are discussed in this finding.

Our review began with assessing compliance with the 3 day rule outlined in the Sunshine Law. Responses were considered noncompliant if no response was received or if a response was not received timely. In addition, overall noncompliance included political subdivisions that did not provide custodian of records information, did not have all required elements included in their meeting notices and agendas, or did not address the question regarding the recording of public meetings.

Of the 326 request letters mailed on August 2, 2016, 309 letters were delivered to the recipient address, while 17 were not confirmed as delivered by the USPS. Of the 309 letters delivered, we received 261 responses. Of the 261 political subdivisions that responded, 201 provided meeting minutes, 185 provided meeting notices, 222 provided the custodian of records information, and 201 provided complete responses to the recording public meetings question. Only 91 respondents (29.4 percent) receiving our request, fully complied with all aspects of it.

Failure to respond

Of the 309 political subdivisions that received the public records request, 48 did not respond at all, for an error rate of 15.5 percent. The political subdivisions that failed to provide any response are identified in Appendix C. Based on these results, an estimated 638 of the 4,113 political subdivisions would not acknowledge or respond to requests for public records.

Untimely response

Of the 261 responses received, 194 responses (74.3 percent) were sent within 3 days. As noted in Appendix B, 67 political subdivisions (25.7 percent) provided responses after the 3 day timeline. While we received the majority of the late responses within a week following the entity's receipt of our request, some responses took more than 20 days to arrive. Of the 67 late responses, 34 arrived between 1 and 5 days late and 33 arrived 6 or more days late. In addition, for the responses 6 or more days late, 8 were 20 or more days late.

Section 610.023.3, RSMo, mandates that each request for access to a public record shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request is received by the custodian of records of a public governmental body.

Request denial

Four political subdivisions denied the request unless we responded with clarification of the purpose of the request, provided how the information was to be used, or appeared in person to obtain the documents. These political subdivisions are identified in Appendix B, footnote 4. In addition, 6



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political subdivisions required a standard request form be completed. Although the Sunshine Law does not allow completion of a request form to be required, in 5 of 6 instances we completed and returned required forms in order to obtain requested documentation.

Responses regarding the denial of access received from the political subdivisions included:

- A letter from a Jefferson Township of Grundy County Trustee stated the following:

"More information is needed from you as to the purpose of your request, your belief as to your right to the information, and the eventual use of the proprietary information."

- A letter from Dunklin County stated the following:

"We most certainly honor the statute and look forward to your visit to the Kennett Courthouse Room #201 at your convenience. We only want to insure that these records are in the proper hands."

- A letter from the Village of Cosby stated the following:

". . . we are inquiring as to who we are sending this information to and for what reason. We are a Village of 124 residents and have never been asked to furnish records concerning our monthly meetings, etc. When we officially receive this information from you, we will be glad to send you the records that you requested."

- A letter from the Mineral Springs Special Road District 10 of Barry County stated the following:

"The second and third request I cannot in good consciousness provide you with the information you are seeking due to the lack of information provided about yourself. Sir, I do not know who you are, and I recollect not having had any previous communication with you."

Nothing in the Sunshine Law requires a request to include the purpose or planned use for requesting the documents, provide proof of identity of the requester, or that requests be made using a specified form. None of the political subdivisions denying the request referenced an applicable statute or Sunshine Law provision supporting the reasons for the request denial.

Section 610.022.5, RSMo, mandates public records shall be presumed to be open unless otherwise exempt pursuant to the provisions of this chapter. Our request asked that if any portion of the request was to be denied, that a



Sunshine Law Review Results

reason be provided. Section 610.023.4, RSMo, mandates if a request for access is denied, the custodian shall provide, upon request, a written statement of the grounds for such denial. Such statement shall cite the specific provision of law under which access is denied and shall be furnished to the requester no later than the end of the third business day following the date that the request for the statement is received.

Custodian of records

As noted in Appendix E, 12 political subdivisions did not provide the name and contact information of the custodian of records. This appendix documents all political subdivisions that provided the custodian of records information and documents any entity that provided documentation in response to the our request but omitted the custodian of records information. In addition to these 12 political subdivisions, one respondent stated the custodian position is currently vacant, while another stated the county policy dictates each department is responsible for keeping records so no one person could be identified as the custodian. The reasons provided were not an acceptable reason for not designating a custodian of records and providing that information.

Section 610.023.1, RSMo, states each public governmental body is to appoint a custodian to be responsible for the maintenance of that body's records. The identity and location of a public governmental body's custodian is to be made available upon request.

Recording policy

If a political subdivision receives a public record request or question related to a policy or ordinance, a response must be provided to the requester. Our public record request included a question regarding the existence of a recording policy or ordinance as it relates to public meetings. Compliance with this request, as documented in Appendix F, was determined by first noting if the question was addressed and then if a policy or ordinance was provided if the entity indicated such a document existed. As noted in Appendix F, 16 political subdivisions either did not address the question or did not provide a copy of their policy or ordinance.

Section 610.023, RSMo, states each public governmental body shall make that body's public records available for inspection and copying by the public. If a request for access is denied, the custodian shall provide, upon request, a written statement of the grounds for such denial. Such statement shall cite the specific provision of law under which access is denied. By not responding to the inquiry regarding the recording policy, the political subdivisions were not in compliance with the Sunshine Law.

Conclusion

Political subdivisions should work to understand the requirements for responding to record requests under the Sunshine Law. By not responding to requests properly or timely, political subdivisions subject themselves to lawsuits and fines and risk credibility with their constituency.



Sunshine Law Review Results

2. Meeting Notices and Agendas

For meeting notices and agendas received as a part of our public record requests, we evaluated compliance with meeting notice requirements including the following: (1) time; (2) date; (3) location; (4) tentative agenda; and; (5) proper citation of proposed closed sessions, when applicable. These results are presented in Appendix D. In some cases, political subdivisions did not provide the notice of meeting, and we evaluated whether the reasons were acceptable under the law. An acceptable reason included a responder indicating the notice was not retained; while unacceptable reasons included the responder not providing an explanation for the omission or stating a notice was not required.

Required information

Of the 185 meeting notices received, 32 (17.3 percent) did not provide at least 1 of the required elements identified above, as documented in Appendix D. Section 610.020.1, RSMo, states all public governmental bodies shall give notice of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably expected to advise the public of the matters to be considered.

Notice not retained

As noted in Appendix D, 18 political subdivisions could not provide a public meeting notice as requested. The reasons for not providing a notice included not retaining the notice or meeting notices not being prepared. In addition, the Reynolds County Public Water Supply District #1 provided the following explanation for the lack of retention: "We do not have a written meeting agenda, nor is there at present an approved board policy. There is also no written meeting notice. These meetings are not public meetings." While the Sunshine Law does not provide a legal requirement to retain the notice, the Secretary of State record retention guidelines state public meeting notice records should be retained for a minimum of 3 years. By retaining meeting notices an entity can document compliance with Sunshine Law public notice requirements and provide additional transparency for government proceedings.

Closed sessions

Of the tentative agendas that proposed a closed session, 15 did not properly cite the reason for closure. We considered a citation proper when it referenced a specific subsection of Section 610.021, RSMo, or other law permitting that the record be closed and not simply a generic reference to the Sunshine Law or listing of all possible sections allowing a meeting could be closed. Section 610.021, RSMo, outlines the reasons permitting meetings of a public body to be closed, and Section 610.022.2, RSMo, states a public governmental body proposing to hold a closed meeting or vote shall give notice of the time, date, and place of such closed meeting or vote and the reason for holding it by reference to the specific exception allowed in Section 610.021, RSMo.

Conclusion

Without providing all required information in a meeting notice, citizens may not be aware of issues that will be discussed at the meeting, where the meeting is located, and when the meeting is held. In addition, by not



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retaining meeting notices the political subdivision cannot demonstrate compliance with some Sunshine Law requirements, such as proper documentation of reasons for closed meetings.

3. Meeting Minutes

Full compliance with meeting minutes requirements was measured as providing the date, time, location, and attendance of board members. As noted in Appendix D, of the 201 political subdivisions providing meeting minutes, 74 (36.8 percent) omitted at least 1 required element from the minutes.

Section 610.020.7, RSMo, states minutes of open and closed meetings shall be taken and retained by the public governmental body, including, but not limited to, a record of any votes taken at such meetings. The minutes shall include the date, time, place, members present, members absent, and a record of any votes taken. When a roll call vote is taken, the minutes shall attribute each "yea" and "nay" vote or abstinence if not voting to the name of the individual member of the public governmental body.

Conclusion

Meeting minutes should include all required elements to provide for the transparency in government required by the Sunshine Law. In addition, by not including all elements in minutes the political subdivision cannot demonstrate compliance with some Sunshine Law requirements, such as proper documentation of actions taken by the governmental body.

4. Fee Assessment

Of the 309 delivered public record requests, 43 political subdivisions requested payment prior to providing documentation, as allowed by the Sunshine Law. Most fees assessed were in compliance with the law. However, some fees requested were not compliant with the Sunshine Law or seemed unreasonable.

Violations included improper costs per page; charging a minimum 1 hour of labor for research and copying, regardless of the actual time required; and a standard minimum fee for all Sunshine Law requests. Due to the simplicity of the request (custodian of records name and contact information, minutes, notice and agenda, and recording policy), the expectation was that minimal time could be required to retrieve and copy the documents. Responses included some amounts that seemed unreasonable, with one political subdivision, the Mid-Continent Public Library District, requesting fees in excess of \$80 for the requested documentation.

Section 610.026.1(1), RSMo, allows a public governmental body to charge up to 10 cents per page for standard paper copies, the average hourly rate of pay for clerical staff to duplicate documents, and the actual cost of the research time for fulfilling the request. This provision also requires the public governmental body to produce the requested information using employees capable of searching, researching, and copying the records that



Sunshine Law Review Results

will result in the lowest cost. Fees for accessing records on other media, or non-standard paper copies, shall reflect actual cost involved. The requestor may wish to ask for a breakdown of the costs associated with the request to determine how the public governmental body arrived at the final charge.

Conclusion

Political subdivisions should ensure charges for public record requests comply with the Sunshine Law. Improper or unreasonable charges place an unnecessary burden on a political subdivision's constituents and could result in limited government transparency.

Sunshine Law Review

Public Record Request Letter

August 2, 2016

Address

To whom it may concern:

This is a request for records under the Missouri Sunshine Law, Chapter 610, Revised Statutes of Missouri.

I would like to request the following records:

1. The name and contact information for your custodian of records;
2. A copy of your last meeting minutes from 2015 with a copy of the notice and agenda for that meeting; and
3. Do you have a policy or ordinance on recording public meetings? If yes, please provide a copy.

I request that the documents responsive to this request be mailed to the following address:

P.O. Box 8773
St. Louis, MO 63101

I request that all fees for locating and copying the records be waived. Please let me know in advance of any search or copying fees that will exceed \$10.00.

If portions of the requested records are closed, please cite to the statute that authorizes closure and provide me with the rest of the records.

Thank you for your time.

Sunshine Law Review

Public Record Request Results

This table lists all political subdivisions randomly selected for the Sunshine Law review, and provides results related to compliance with the 3 day rule outlined in the Sunshine Law and overall compliance for all tested Sunshine Law requirements (the 3 day rule and requirements evaluated and presented in the following appendixes). Responses were considered in noncompliance with the 3 day rule if no response was received or if the response was not received timely. Requests we could not confirm as received via USPS tracking were not included in the error rate and were noted as undelivered. If a political subdivision was noncompliant for any applicable reviewed Sunshine Law requirement, it is noted as noncompliant overall.

Legend

N/A - Compliance could not be evaluated

NR - No response received

UD - Undelivered per USPS

Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Cities		
City of Arkoe	No	No
City of Atlanta	Yes	No
City of Bellflower	Yes	Yes
City of Bloomfield	UD	UD
City of Boonville ¹	Yes	N/A
City of Cassville	Yes	Yes
City of Chula	NR	No
City of Cole Camp ¹	Yes	N/A
City of Crestwood	Yes	Yes
City of East Lynne ¹	No	No
City of East Prairie ¹	Yes	N/A
City of Ethel	Yes	No
City of Excelsior Estates	No	No
City of Freeman	Yes	Yes
City of Grain Valley	Yes	Yes
City of Greenville	Yes	No
City of Hawk Point	Yes	Yes
City of Kingston ¹	Yes	N/A
City of Knob Noster	Yes	No
City of La Plata	Yes	No
City of Ladue	Yes	Yes
City of Lamar	Yes	Yes
City of Lincoln ¹	Yes	N/A
City of Louisiana	No	No
City of Lowry City	NR	No
City of Malden ²	Yes	N/A



Sunshine Law Review
Public Record Request Results

Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
City of Malta Bend ¹	No	No
City of Matthews	Yes	No
City of Memphis	Yes	Yes
City of Middletown ¹	Yes	N/A
City of Montrose	Yes	No
City of Morehouse ¹	Yes	N/A
City of Mountain View ¹	Yes	N/A
City of New Bloomfield	Yes	No
City of New London	Yes	Yes
City of Pleasant Hill	Yes	Yes
City of Prairie Home	No	No
City of Rockville	NR	No
City of Sarcoxie	No	No
City of St. Peters	No	No
City of Stanberry	Yes	Yes
City of Union Star	Yes	No
City of Ulrich ¹	Yes	N/A
City of Wellington ¹	Yes	N/A
City of Wentzville	Yes	Yes
City of Westboro ¹	Yes	N/A
City of Wheatland ¹	Yes	N/A
School Districts (SD)		
Appleton City R-II SD ¹	Yes	N/A
Blackwater R-II SD	No	No
Brentwood SD	Yes	Yes
Brunswick R-II SD	Yes	No
Chilhowee R-IV SD	Yes	Yes
Chillicothe R-II SD	No	No
Clark County R-I SD	Yes	Yes
DeSoto 73 SD	Yes	Yes
East Lynne 40 SD	Yes	No
East Prairie R-II SD	Yes	No
Gasconade County R-I SD	Yes	Yes
Hannibal 60 SD ²	No	No
Holcomb R-III SD	Yes	No
Hume R-VIII SD	Yes	No
Kelso C-7 SD	No	No
Kirbyville R-VI SD	No	No
Kirkwood R-VII SD	Yes	No



Sunshine Law Review
Public Record Request Results

Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Knob Noster R-VIII SD	Yes	Yes
Knox County R-I SD	Yes	Yes
Laclede County C-5 SD	No	No
Laquey R-V SD	Yes	No
Maysville R-I SD	NR	No
Meadow Heights R-II SD	Yes	Yes
Middle Grove C-1 SD	No	No
Missouri City 56 SD	Yes	No
Mountain View-Birch Tree R-III SD	Yes	Yes
New York R-IV SD	NR	No
Plainview R-VIII SD	NR	No
Pleasant Hill R-III SD	No	No
Raymore-Peculiar R-II SD	Yes	No
Republic R-III SD	Yes	No
School of the Osage R-II SD	Yes	Yes
Scotland County R-I SD	Yes	Yes
Stockton R-I SD	Yes	No
Summersville R-II SD	Yes	Yes
Zalma R-V SD	Yes	Yes
Transportation Development Districts (TDD)		
Adams Farm TDD	Yes	No
Belton-Cass Regional TDD	Yes	Yes
City Hospital Laundry Building TDD	UD	UD
Country Club Plaza TDD	Yes	No
Douglas Station TDD	Yes	Yes
East-West Arterial TDD	Yes	No
Ehrhardt Properties TDD	Yes	Yes
Harrisonville Market Place B TDD	No	No
Harrisonville Towne Center TDD	No	No
Horseshoe Bend TDD	Yes	Yes
Kingsmill TDD	UD	UD
Lucas & Hunt/Chandler TDD	Yes	No
Market at McKnight TDD	Yes	Yes
Mexico Road TDD	Yes	Yes
Northwoods TDD ⁹	No	No
Olive Boulevard TDD	Yes	Yes
Rock Bridge Center TDD	No	No
Southtown TDD ⁸	Yes	N/A
St. Cyr Road TDD	Yes	Yes



Sunshine Law Review
Public Record Request Results

Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
St. John Crossings TDD	Yes	Yes
Stadium Corridor TDD	Yes	Yes
Tracy Highlands TDD	UD	UD
Village of Green Hills TDD ³	Yes	No
Wentzville Parkway I TDD	NR	No
Fire Protection Districts (FPD)		
Antonia FPD ¹	Yes	N/A
Armstrong FPD	Yes	No
Augusta FPD	UD	UD
Carl Junction FPD	NR	No
Cedar Hill FPD ¹	Yes	N/A
Cole County FPD	UD	UD
Dadeville Rural FPD	Yes	No
Elm Township FPD	Yes	Yes
Higbee FPD	NR	No
Mercer County FPD	No	No
Monroe City Area FPD	No	No
Morrisville FPD	Yes	Yes
Mound City Rural FPD ¹	Yes	N/A
North Callaway FPD	Yes	No
Pettis County FPD 1	NR	No
Pleasant Hill FPD	Yes	Yes
Rivers Pointe FPD	NR	No
Rosendale FPD	No	No
South Callaway FPD ¹	No	No
Steelville FPD	Yes	Yes
Strafford FPD ¹	Yes	N/A
Tri-County FPD	Yes	No
Versailles FPD 4	No	No
West Peculiar FPD	No	No
Townships		
Bogard Township of Henry County ¹	Yes	N/A
Bowling Green Township of Chariton County	Yes	No
Charlotte Township of Bates County	NR	No
Clay Township of Harrison County	NR	No
Duck Creek Township of Stoddard County	NR	No
Enterprise Township of Linn County	NR	No
Freeborn Township of Dunklin County	No	No
Grand River Township of Bates County	NR	No



Sunshine Law Review
Public Record Request Results

Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Jackson Township of Linn County	Yes	No
Jefferson Township of Grundy County ⁴	No	No
Liberty Township of Grundy County	NR	No
Liberty Township of Putnam County	NR	No
Liberty Township of Stoddard County	No	No
Marion Township of Harrison County ¹	Yes	N/A
Moundville Township of Vernon County	NR	No
Myers Township of Grundy County	No	No
Osage Township of Bates County	NR	No
Piney Township of Texas County	No	No
Prairie Township of Carroll County	NR	No
Sherman Township of DeKalb County	UD	UD
Upton Township of Texas County	No	No
West Point Township of Bates County	NR	No
White Oak Township of Harrison County ¹	Yes	N/A
Public Water Supply Districts (PWSD)		
PWSD 1 of Camden County ⁵	No	No
PWSD 1 of Cedar County	NR	No
PWSD 1 of DeKalb County	Yes	Yes
PWSD 1 of Gentry County ¹	Yes	N/A
PWSD 1 of Mercer County	NR	No
PWSD 1 of Newton County	No	No
PWSD 1 of Ray County ¹	Yes	N/A
PWSD 1 of Reynolds County	Yes	No
PWSD 1 of Scott County	NR	No
PWSD 2 of Andrew County	Yes	Yes
PWSD 2 of Caldwell County ¹	Yes	N/A
PWSD 2 of Camden County	Yes	No
PWSD 2 of St. Charles County	Yes	No
PWSD 2 of Wayne County	No	No
PWSD 3 of Cass County	UD	UD
PWSD 4 of Cape Girardeau County	No	No
PWSD 4 of Henry County ¹	Yes	N/A
PWSD 4 of Texas County	Yes	No
PWSD 7 of Bates County	No	No
PWSD 7 of Clay County ¹	No	No
PWSD 8 of Cass County ⁹	Yes	Yes
PWSD 8 of Platte County	Yes	No
Thomas Hill PWSD 1 of Randolph County	Yes	Yes



Sunshine Law Review
Public Record Request Results

Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Community Improvement Districts (CID)		
1100 Washington Avenue CID ¹	No	No
BaratHaven CID	Yes	Yes
Blue Parkway and Colbern Road CID	Yes	Yes
Brentwood Blvd/Clayton Rd CID	Yes	Yes
Briarbrook CID	NR	No
Brighton Creek Commons CID	Yes	Yes
College Station CID	Yes	No
Crestwood Market CID	Yes	Yes
Crossroads Shopping Center CID	Yes	Yes
East Hills CID	Yes	No
Eastern Hills CID ¹	Yes	N/A
Eureka South I-44 CID ⁶	Yes	N/A
I-470 CID	Yes	Yes
KCI/I-29 CID ⁶	Yes	N/A
Mountain Farm CID	Yes	No
Peachtree CID	NR	No
Phoenix Center II CID	Yes	Yes
Railway Exchange Building CID ¹	No	No
Stateline CID	Yes	Yes
Sullivan Marketplace CID	UD	UD
The Fountains CID	Yes	Yes
Viking Conference Center CID	Yes	Yes
Villages		
Arrow Point Village, Inc.	NR	No
Village of Agency	Yes	Yes
Village of Arcola	NR	No
Village of Cosby ⁴	Yes	No
Village of Hoberg	NR	No
Village of Lamar Heights	No	No
Village of Loch Lloyd	Yes	No
Village of Moundville	Yes	No
Village of Powersville	NR	No
Village of Reeds	NR	No
Village of River Bend	UD	UD
Village of Rushville	No	No
Village of Sibley	Yes	No
Village of South Greenfield	Yes	Yes
Village of Tightwad	NR	No



Sunshine Law Review
Public Record Request Results

Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Village of Utica	No	No
Village of Weatherby	No	No
Village of Whitewater	NR	No
Soil and Water Conservation Districts (SWCD)		
Andrew County SWCD	Yes	Yes
Audrain County SWCD	No	No
Barry County SWCD	Yes	Yes
Camden County SWCD	Yes	No
Carroll County SWCD	NR	No
Carter County SWCD	Yes	Yes
Cooper County SWCD	Yes	Yes
Franklin County SWCD	Yes	Yes
Howard County SWCD	Yes	Yes
Livingston County SWCD ¹	Yes	N/A
Maries County SWCD	Yes	Yes
Mississippi County SWCD	UD	UD
Monroe County SWCD	Yes	Yes
St. Francois County SWCD	Yes	Yes
Ste. Genevieve County SWCD	Yes	Yes
Worth County SWCD ¹	Yes	N/A
Library Districts (LD)		
Carthage Public LD	No	No
Christian County LD	No	No
Gentry County LD	Yes	No
Hannibal Free Public LD	Yes	Yes
Knox County LD	Yes	Yes
Livingston County Memorial LD	Yes	No
Louisiana Public LD	NR	No
Mercer County LD	No	No
Mid-Continent Public LD	Yes	No
Norborne Public LD	NR	No
Rolling Hills Consolidated LD	No	No
Scotland County LD	No	No
Scott County LD	No	No
St. Clair County LD	Yes	No
Wright County LD	No	No
Levee/Drainage Districts		
Benton Township & Rock Creek Drainage District	Yes	Yes
Big Creek - Hurricane Creek Watershed Subdistrict ¹	No	No



Sunshine Law Review
Public Record Request Results

Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Bois Brule Levee & Drainage District of Perry County	No	No
Bonne Femme Levee District 1 ⁷	Yes	N/A
Consolidated Drainage District 2 of Dunklin County	NR	No
Districts 1-7-13 & 33-14-17-19 of Stoddard County	UD	UD
Drainage District 28 of Stoddard County	No	No
Elk Chute Drainage District	No	No
Halls Levee District of Buchanan County	No	No
Lake Drainage District 1 of Osage County	NR	No
Levee District 2 of Ray County	Yes	Yes
Levee District 9 of Holt County ¹	Yes	N/A
North Inter-River Drainage District	NR	No
Sugartree Drainage District	No	No
Special Road Districts (SRD)		
Bigelow Independent SRD of Holt County ¹	Yes	N/A
Buck Prairie SRD of Lawrence County	Yes	No
City of Crystal Lakes SRD ¹	No	No
Flemington SRD of Polk County	Yes	Yes
Greasy Creek SRD 35 of Barry County	Yes	Yes
Hillsboro SRD of Jefferson County	Yes	No
Jenkins SRD 20 of Barry County	UD	UD
Laclede County SRD	Yes	No
Mineral Springs SRD 10 of Barry County ⁴	No	No
Ozark SRD of Barry County	UD	UD
Spickard SRD	No	No
Wellsville SRD of Montgomery County	Yes	Yes
Wolfe Creek SRD of Ripley County	Yes	No
Ambulance Districts (AD)		
Chariton County AD	Yes	No
Clearwater AD	NR	No
Dade County AD	Yes	No
Grand River Regional AD	Yes	Yes
Iron County AD	Yes	No
Knox County AD	Yes	Yes
Mountain View-Summersville AD	No	No
Reynolds County AD	UD	UD
Saline County AD 3	Yes	No
Taney County AD	No	No
Van-Far AD	Yes	No



Sunshine Law Review
Public Record Request Results

Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Counties		
Adair County	Yes	Yes
Camden County	NR	No
Dunklin County ⁴	Yes	No
Franklin County	Yes	Yes
Greene County	NR	No
Lawrence County	Yes	No
Lincoln County	NR	No
Miller County	Yes	No
Mississippi County	Yes	No
Scotland County	Yes	Yes
Warren County	Yes	No
Health Departments/Health Centers		
Cape Girardeau County Public Health Department ¹	Yes	N/A
Hickory County Health Department	Yes	No
Madison County Health Department	Yes	Yes
Mercer County Health Department	Yes	Yes
Moniteau County Health Center	Yes	Yes
Montgomery County Health Department ¹	Yes	N/A
Morgan County Health Center	NR	No
Nodaway County Health Center	Yes	Yes
Pike County Health Department ¹	Yes	N/A
911 Boards/Emergency Services		
Chariton County 911 Board	Yes	Yes
Jasper County Emergency Services	Yes	Yes
Jefferson County 911 Board	Yes	Yes
Saline County 911 Board ¹	Yes	N/A
Sewer Districts		
Camelot Sewer District ¹	Yes	N/A
Lake Adelle Sewer District	UD	UD
Missouri River-Bonfils Sewer District	NR	No
South St. Joseph Industrial Sewer District	NR	No
Special Business Districts (SBD)		
Bi-State Commission SBD	Yes	Yes
Cape Girardeau SBD ⁹	Yes	Yes
Clayton SBD	Yes	Yes
Kirkwood SBD	Yes	Yes
Nursing Home Districts/Adult Care Centers		
Golden Age Nursing Home District 1	No	No



Sunshine Law Review
Public Record Request Results

Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Marion County Nursing Home District	NR	No
Twin Pines Adult Care Center	Yes	Yes
Towns		
Town of Allenville	UD	UD
Town of Augusta	No	No
Town of Harrisburg	Yes	No
Hospital Districts		
New Liberty Hospital District ¹	No	No
Ripley County Memorial Hospital District	No	No
Summary of Results		
Total responses meeting statute (Yes)	194	91
Total responses not meeting statute (No)	67	179
Did not respond (NR)	48	0
Not applicable (N/A)	0	39
Request letter undelivered (UD)	17	17
Total	326	326
Error percentage	37.2%	66.3%

¹ The political subdivisions requested payment prior to providing requested documentation, which is permitted by the Sunshine Law. For these political subdivisions, we were only able to evaluate a timely response to the initial inquiry. If the entity provided a response to either the custodian or recording policy request it will be included in Appendix E or F, respectively. Because we did not submit the requested fee when entities asked for prepayment, political subdivisions that responded timely are not evaluated for overall compliance since all criteria could not be reviewed. For political subdivisions that requested payment, but did not respond timely, overall compliance has been indicated as "No."

² The political subdivisions requested clarification prior to providing requested documentation, which is permitted by the Sunshine Law. For these political subdivisions, we were only able to evaluate a timely response to the initial inquiry. If the entity provided a response to either the custodian or recording policy request it will be included in Appendix E or F, respectively. Because we did respond to clarification questions, political subdivisions that responded timely are not evaluated for overall compliance since all criteria could not be reviewed. For political subdivisions that requested clarification, but did not respond timely, overall compliance has been indicated as "No."

³ This political subdivision was established in 2016 while our request was for documentation of meeting minutes and notices from 2015. Minutes and notices were not evaluated in Appendix D, however, compliance has been evaluated for the custodian of records and the recording policy in Appendixes E and F, respectively. Overall compliance is evaluated based on the applicable criteria.

⁴ These political subdivisions denied our public records request without further knowledge of who made the request or why the request was made, or required the requestor to appear in person. Such restrictions to public record access are not permitted by the Sunshine Law.

⁵ This political subdivision sent a letter stating we should expect documentation to be received at a later date. We did not receive a subsequent response with the requested items.

⁶ These political subdivisions dissolved prior to the public records request being made. Minimal information could be provided due to the entity being dissolved.

⁷ The individual who responded for this political subdivision indicated the request had been forwarded to the custodian of records. We could not verify if that occurred, thus no further compliance has been evaluated.

⁸ This political subdivision requested a form to be filled out in order to obtain documentation. Because we did not submit the requested form the political subdivision was not evaluated for overall compliance.

⁹ These political subdivisions will not appear on Appendix D since they did not conduct any meetings in 2015. They were only evaluated for timeliness of response, custodian of records, and whether they addressed the recording policy question.

Sunshine Law Review

Schedule of Non-Respondents

This listing documents the 48 entities that did not respond to the public records requests. The listing is as of September 16, 2016, 6 weeks after we mailed the initial requests for records.

Non-Respondent Entities

Cities

City of Chula
City of Lowry City
City of Rockville

School Districts (SD)

Maysville R-I SD
New York R-IV SD
Plainview R-VIII SD

Transportation Development Districts (TDD)

Wentzville Parkway I TDD

Fire Protection Districts (FPD)

Carl Junction FPD
Higbee FPD
Pettis County 1 FPD
Rivers Pointe FPD

Townships

Charlotte Township of Bates County
Clay Township of Harrison County
Duck Creek Township of Stoddard County
Enterprise Township of Linn County
Grand River Township of Bates County
Liberty Township of Grundy County
Liberty Township of Putnam County
Moundville Township of Vernon County
Osage Township of Bates County
Prairie Township of Carroll County
West Point Township of Bates County

Public Water Supply Districts (PWSD)

PWSD 1 of Cedar County
PWSD 1 of Mercer County
PWSD 1 of Scott County

Community Improvement Districts (CID)

Briarbrook CID
Peachtree CID



Sunshine Law Review
Schedule of Non-Respondents

Non-Respondent Entities

Villages

Arrow Point Village, Inc.
Village of Arcola
Village of Hoberg
Village of Powersville
Village of Reeds
Village of Tightwad
Village of Whitewater

Soil and Water Conservation Districts (SWCD)

Carroll County SWCD

Library Districts (LD)

Louisiana Public LD
Norborne Public LD

Levee/Drainage Districts

Consolidated Drainage District 2 of Dunklin County
Lake Drainage District 1 of Osage County
North Inter-River Drainage District

Ambulance Districts (AD)

Clearwater AD

Counties

Camden County
Greene County
Lincoln County

Health Departments/Health Centers

Morgan County Health Center

Sewer Districts (SD)

Missouri River-Bonfils Sewer District
South St. Joseph Industrial Sewer District

Nursing Home Districts/Adult Care Centers

Marion County Nursing Home District

Sunshine Law Review

Meeting Minutes and Notices

This schedule first indicates if a political subdivision provided meeting minutes and notice of the meeting as requested. If so, the minutes and notice were evaluated for inclusion of all statutorily required elements. If the documents were not received and a reason provided, the reason was evaluated as acceptable or unacceptable. Acceptable reasons include a notice not being retained because there is no Sunshine Law requirement to retain notices or no meeting was conducted during the requested time period, while an unacceptable reason could include that the political subdivision indicated it does not prepare meeting notices.

Legend

N¹ - Not Provided for an Acceptable Reason

N² - Not Provided for an Unacceptable Reason

N/A - Not Applicable

Political Subdivision	Minutes Provided?	Notice of Meeting Provided?	Minutes Include Required Elements?	Notice Includes Required Elements?
Cities				
City of Arkoe	Yes	N ²	No	N/A
City of Atlanta	Yes	Yes	No	No
City of Bellflower	Yes	Yes	Yes	Yes
City of Cassville	Yes	Yes	Yes	Yes
City of Crestwood	Yes	Yes	Yes	Yes
City of Ethel	Yes	Yes	Yes	No
City of Excelsior Estates	Yes	Yes	Yes	Yes
City of Freeman	Yes	Yes	Yes	Yes
City of Grain Valley	Yes	Yes	Yes	Yes
City of Greenville	Yes	Yes	Yes	No
City of Hawk Point	Yes	Yes	Yes	Yes
City of Knob Noster	Yes	Yes	No	No
City of Ladue	Yes	Yes	Yes	Yes
City of Lamar	Yes	Yes	Yes	Yes
City of La Plata	Yes	Yes	No	Yes
City of Louisiana	Yes	Yes	No	No
City of Matthews	Yes	Yes	No	No
City of Memphis	Yes	Yes	Yes	Yes
City of Montrose	Yes	Yes	No	Yes
City of New Bloomfield	Yes	Yes	No	Yes
City of New London	Yes	Yes	Yes	Yes
City of Pleasant Hill	Yes	Yes	Yes	Yes
City of Prairie Home	Yes	Yes	Yes	Yes
City of Sarcoxie	Yes	Yes	Yes	Yes
City of Stanberry	Yes	Yes	Yes	Yes
City of St. Peters	Yes	Yes	Yes	Yes
City of Union Star	Yes	Yes	No	No
City of Wentzville	Yes	Yes	Yes	Yes
School Districts (SD)				
Blackwater R-II SD	Yes	Yes	No	No
Brentwood SD	Yes	Yes	Yes	Yes
Brunswick R-II SD	Yes	N ²	Yes	N/A
Chilhowee R-IV SD	Yes	Yes	Yes	Yes



Sunshine Law Review
Meeting Minutes and Notices

Political Subdivision	Minutes Provided?	Notice of Meeting Provided?	Minutes Included Required Elements?	Notice Included Required Elements?
Chillicothe R-II SD	Yes	Yes	Yes	Yes
Clark County R-I SD	Yes	Yes	Yes	Yes
DeSoto 73 SD	Yes	Yes	Yes	Yes
East Lynne 40 SD	Yes	Yes	No	Yes
East Prairie R-II SD	Yes	Yes	No	No
Gasconade County R-I SD	Yes	Yes	Yes	Yes
Holcomb R-III SD	Yes	Yes	No	No
Hume R-VIII SD	Yes	Yes	No	Yes
Kelso C-7 SD	N ²	Yes	N/A	Yes
Kirbyville R-VI SD	Yes	Yes	Yes	Yes
Kirkwood R-VII SD	Yes	Yes	Yes	Yes
Knob Noster R-VIII SD	Yes	Yes	Yes	Yes
Knox County R-I SD	Yes	Yes	Yes	Yes
Laclede County C-5 SD	Yes	Yes	Yes	Yes
Laquey R-V SD	Yes	Yes	No	Yes
Meadow Heights R-II SD	Yes	Yes	Yes	Yes
Middle Grove C-1 SD	Yes	Yes	No	No
Missouri City 56 SD	Yes	Yes	No	Yes
Mountain View-Birch Tree R-III SD	Yes	Yes	Yes	Yes
Pleasant Hill R-III SD	Yes	Yes	Yes	Yes
Raymore-Peculiar R-II SD	Yes	N ²	Yes	N/A
Republic R-III SD	Yes	Yes	No	No
School of the Osage R-II SD	Yes	Yes	Yes	Yes
Scotland County R-I SD	Yes	Yes	Yes	Yes
Stockton R-I SD	Yes	Yes	No	No
Summersville R-II SD	Yes	Yes	Yes	Yes
Zalma R-V SD	Yes	Yes	Yes	Yes
Transportation Development Districts (TDD)				
Adams Farm TDD	Yes	Yes	Yes	Yes
Belton-Cass Regional TDD	Yes	Yes	Yes	Yes
Country Club Plaza TDD	Yes	Yes	No	Yes
Douglas Station TDD	Yes	Yes	Yes	Yes
East-West Arterial TDD	Yes	Yes	Yes	Yes
Ehrhardt Properties TDD	Yes	Yes	Yes	Yes
Harrisonville Market Place B TDD	Yes	Yes	Yes	Yes
Harrisonville Towne Center TDD	Yes	Yes	Yes	Yes
Horseshoe Bend TDD	Yes	Yes	Yes	Yes
Lucas & Hunt/Chandler TDD	Yes	Yes	Yes	No
Market at McKnight TDD	Yes	Yes	Yes	Yes
Mexico Road TDD	Yes	Yes	Yes	Yes
Olive Boulevard TDD	Yes	Yes	Yes	Yes
Rock Bridge Center TDD	Yes	Yes	Yes	Yes
Stadium Corridor TDD	Yes	Yes	Yes	Yes



Sunshine Law Review
Meeting Minutes and Notices

Political Subdivision	Minutes Provided?	Notice of Meeting Provided?	Minutes Included Required Elements?	Notice Included Required Elements?
St. Cyr Road TDD	Yes	Yes	Yes	Yes
St. John Crossings TDD	Yes	Yes	Yes	Yes
Fire Protection Districts (FPD)				
Armstrong FPD	Yes	Yes	Yes	No
Dadeville Rural FPD	Yes	N ¹	No	N/A
Elm Township FPD	Yes	Yes	Yes	Yes
Mercer County FPD	Yes	Yes	No	Yes
Monroe City Area FPD	Yes	Yes	Yes	Yes
Morrisville FPD	Yes	Yes	Yes	Yes
North Callaway FPD	Yes	Yes	No	Yes
Pleasant Hill FPD	Yes	Yes	Yes	Yes
Rosendale FPD	Yes	N ¹	No	N/A
Steelville FPD	Yes	Yes	Yes	Yes
Tri-County FPD	Yes	Yes	No	No
Versailles FPD 4	Yes	Yes	No	Yes
West Peculiar FPD	Yes	Yes	No	Yes
Townships				
Bowling Green Township of Chariton County	Yes	Yes	Yes	No
Freeborn Township of Dunklin County	Yes	N ²	No	N/A
Jackson Township of Linn County	Yes	Yes	No	Yes
Liberty Township of Stoddard County	Yes	Yes	No	Yes
Myers Township of Grundy County	Yes	N ²	No	N/A
Piney Township of Texas County	Yes	Yes	No	Yes
Upton Township of Texas County	Yes	Yes	No	No
Public Water Supply Districts (PWSD)				
PWSD 1 of DeKalb County	Yes	Yes	Yes	Yes
PWSD 1 of Newton County	Yes	Yes	Yes	Yes
PWSD 1 of Reynolds County	Yes	N ²	No	N/A
PWSD 2 of Andrew County	Yes	Yes	Yes	Yes
PWSD 2 of Camden County	Yes	Yes	No	No
PWSD 2 of St. Charles County	Yes	Yes	Yes	Yes
PWSD 2 of Wayne County	Yes	Yes	No	No
PWSD 4 of Cape Girardeau County	Yes	Yes	No	Yes
PWSD 4 of Texas County	Yes	Yes	No	Yes
PWSD 7 of Bates County	Yes	N ²	No	N/A
PWSD 8 of Platte County	Yes	Yes	No	Yes
Thomas Hill PWSD 1 of Randolph County	Yes	Yes	Yes	Yes
Community Improvement Districts (CID)				
I-470 CID	Yes	Yes	Yes	Yes
BaratHaven CID	Yes	Yes	Yes	Yes
Blue Parkway and Colbern Road CID	Yes	Yes	Yes	Yes
Brentwood Blvd/Clayton Rd CID	Yes	Yes	Yes	Yes
Brighton Creek Commons CID	Yes	Yes	Yes	Yes



Sunshine Law Review
Meeting Minutes and Notices

Political Subdivision	Minutes Provided?	Notice of Meeting Provided?	Minutes Included Required Elements?	Notice Included Required Elements?
College Station CID	Yes	Yes	No	Yes
Crestwood Market CID	Yes	Yes	Yes	Yes
Crossroads Shopping Center CID	Yes	Yes	Yes	Yes
East Hills CID	Yes	Yes	No	Yes
Mountain Farm CID	Yes	Yes	Yes	Yes
Phoenix Center II CID	Yes	Yes	Yes	Yes
Stateline CID	N ¹	Yes	N/A	Yes
The Fountains CID	Yes	Yes	Yes	Yes
Viking Conference Center CID	Yes	Yes	Yes	Yes
Villages				
Village of Agency	Yes	Yes	Yes	Yes
Village of Lamar Heights	Yes	Yes	Yes	No
Village of Loch Lloyd	Yes	Yes	No	Yes
Village of Moundville	Yes	N ¹	No	N/A
Village of Rushville	Yes	Yes	No	No
Village of Sibley	Yes	Yes	No	No
Village of South Greenfield	Yes	Yes	Yes	Yes
Village of Utica	Yes	Yes	No	No
Village of Weatherby	Yes	Yes	No	Yes
Soil and Water Conservation Districts (SWCD)				
Andrew County SWCD	Yes	Yes	Yes	Yes
Audrain County SWCD	Yes	Yes	Yes	Yes
Barry County SWCD	Yes	Yes	Yes	Yes
Camden County SWCD	Yes	Yes	No	Yes
Carter County SWCD	Yes	Yes	Yes	Yes
Cooper County SWCD	Yes	Yes	Yes	Yes
Franklin County SWCD	Yes	Yes	Yes	Yes
Howard County SWCD	Yes	Yes	Yes	Yes
Maries County SWCD	Yes	Yes	Yes	Yes
Monroe County SWCD	Yes	Yes	Yes	Yes
St. Francois County SWCD	Yes	Yes	Yes	Yes
Ste. Genevieve County SWCD	Yes	Yes	Yes	Yes
Library Districts (LD)				
Carthage Public LD	Yes	Yes	Yes	Yes
Christian County LD	Yes	Yes	Yes	Yes
Gentry County LD	Yes	Yes	No	Yes
Hannibal Free Public LD	Yes	Yes	Yes	Yes
Knox County LD	Yes	Yes	Yes	Yes
Livingston County Memorial LD	Yes	Yes	No	Yes
Mercer County LD	Yes	N ²	Yes	N/A
Mid-Continent Public LD	Yes	Yes	Yes	No
Rolling Hills Consolidated LD	Yes	N ²	Yes	N/A
St. Clair County LD	Yes	Yes	No	No



Sunshine Law Review
Meeting Minutes and Notices

Political Subdivision	Minutes Provided?	Notice of Meeting Provided?	Minutes Included Required Elements?	Notice Included Required Elements?
Scotland County LD	Yes	Yes	No	No
Scott County LD	Yes	Yes	Yes	Yes
Wright County LD	Yes	Yes	Yes	Yes
Levee/Drainage Districts				
Benton Township & Rock Creek Drainage District	Yes	Yes	Yes	Yes
Bois Brule Levee & Drainage District of Perry County	Yes	N ²	No	N/A
Drainage District 28 of Stoddard County	Yes	Yes	No	Yes
Elk Chute Drainage District	Yes	Yes	Yes	No
Halls Levee District of Buchanan County	Yes	Yes	No	Yes
Levee District 2 of Ray County	Yes	Yes	Yes	Yes
Sugartree Drainage District	Yes	Yes	Yes	Yes
Special Road Districts (SRD)				
Buck Prairie SRD of Lawrence County	Yes	Yes	No	Yes
Flemington SRD of Polk County	Yes	Yes	Yes	Yes
Greasy Creek SRD 35 of Barry County	Yes	Yes	Yes	Yes
Hillsboro SRD of Jefferson County	Yes	Yes	No	Yes
Laclede County SRD	Yes	N ¹	No	N/A
Spickard SRD	Yes	Yes	No	Yes
Wellsville SRD of Montgomery County	Yes	N ¹	Yes	N/A
Wolfe Creek SRD of Ripley County	Yes	N ²	Yes	N/A
Ambulance Districts (AD)				
Chariton County AD	Yes	Yes	No	Yes
Dade County AD	Yes	N ¹	No	N/A
Grand River Regional AD	Yes	Yes	Yes	Yes
Iron County AD	Yes	Yes	No	Yes
Knox County AD	Yes	Yes	Yes	Yes
Mountain View-Summersville AD	Yes	Yes	No	Yes
Saline County AD 3	Yes	Yes	No	Yes
Taney County AD	Yes	Yes	No	Yes
Van-Far AD	Yes	Yes	No	No
Counties				
Adair County	Yes	Yes	Yes	Yes
Franklin County	Yes	Yes	Yes	Yes
Lawrence County	Yes	Yes	No	Yes
Miller County	Yes	Yes	No	No
Mississippi County	Yes	N ₁	No	N/A
Scotland County	Yes	Yes	Yes	Yes
Warren County	Yes	Yes	No	Yes
Health Departments/Health Centers				
Hickory County Health Department	Yes	Yes	No	No
Madison County Health Department	Yes	Yes	Yes	Yes
Mercer County Health Department	Yes	Yes	Yes	Yes
Moniteau County Health Center	Yes	Yes	Yes	Yes



Sunshine Law Review
Meeting Minutes and Notices

Political Subdivision	Minutes Provided?	Notice of Meeting Provided?	Minutes Included Required Elements?	Notice Included Required Elements?
Nodaway County Health Center	Yes	Yes	Yes	Yes
911 Boards/Emergency Services				
Chariton County 911 Board	Yes	Yes	Yes	Yes
Jasper County Emergency Services	Yes	Yes	Yes	Yes
Jefferson County 911 Board	Yes	Yes	Yes	Yes
Special Business Districts (SBD)				
Bi-State Commission SBD	Yes	Yes	Yes	Yes
Clayton SBD	Yes	Yes	Yes	Yes
Kirkwood SBD	Yes	Yes	Yes	Yes
Nursing Home Districts/Adult Care Centers				
Golden Age Nursing Home District 1	Yes	Yes	No	No
Twin Pines Adult Care Center	Yes	Yes	Yes	Yes
Towns				
Town of Augusta	Yes	Yes	Yes	Yes
Town of Harrisburg	Yes	Yes	No	Yes
Hospital Districts				
Ripley County Memorial Hospital District	Yes	Yes	Yes	Yes
Summary of Results				
Total responses received or meeting statute (Yes)	201	185	127	153
Total responses received not meeting statute (No)	0	0	74	32
Response not received for an acceptable reason (N ¹)	1	7	N/A	N/A
Response not received for an unacceptable reason (N ²)	1	11	N/A	N/A
Total	203	203	201	185
Error percentage	0.5%	5.4%	36.8%	17.3%

Sunshine Law Review

Custodian of Records

For each political subdivision we mailed a public record request asking for the name and contact information of the custodian of records. Political subdivisions providing the custodian of records information and those providing all other requested items except the custodian of records information are included in this appendix. "Yes" indicates custodian of records information was provided. "No" indicates custodian of records information was not provided; however, other request information was provided and is evaluated elsewhere in the report.

Political Subdivision	Custodian of Records Identified?
Cities	
City of Arkoe	Yes
City of Atlanta	Yes
City of Bellflower	Yes
City of Boonville	Yes
City of Cassville	Yes
City of Crestwood	Yes
City of East Lynne	Yes
City of Ethel	Yes
City of Excelsior Estates	Yes
City of Freeman	Yes
City of Grain Valley	Yes
City of Greenville	Yes
City of Hawk Point	Yes
City of Kingston	Yes
City of Knob Noster	Yes
City of La Plata	Yes
City of Ladue	Yes
City of Lamar	Yes
City of Louisiana	Yes
City of Malden	Yes
City of Matthews	Yes
City of Memphis	Yes
City of Montrose	Yes
City of New Bloomfield	Yes
City of New London	Yes
City of Pleasant Hill	Yes
City of Prairie Home	Yes
City of Sarcoxie	Yes
City of St. Peters	Yes
City of Stanberry	Yes
City of Union Star	Yes
City of Urich	Yes
City of Wellington	Yes



Sunshine Law Review
Custodian of Records

Political Subdivision	Custodian of Records Identified?
City of Wentzville	Yes
City of Westboro	Yes
School Districts (SD)	
Appleton City R-II SD	Yes
Blackwater R-II SD	Yes
Brentwood SD	Yes
Brunswick R-II SD	Yes
Chilhowee R-IV SD	Yes
Chillicothe R-II SD	Yes
Clark County R-I SD	Yes
DeSoto 73 SD	Yes
East Lynne 40 SD	Yes
East Prairie R-II SD	Yes
Gasconade County R-I SD	Yes
Hannibal 60 SD	Yes
Holcomb R-III SD	Yes
Hume R-VIII SD	Yes
Kelso C-7 SD	No
Kirbyville R-VI SD	Yes
Kirkwood R-VII SD	No
Knob Noster R-VIII SD	Yes
Knox County R-I SD	Yes
Laclede County C-5 SD	Yes
Laquey R-V SD	Yes
Meadow Heights R-II SD	Yes
Middle Grove C-1 SD	Yes
Missouri City 56 SD	Yes
Mountain View-Birch Tree R-III SD	Yes
Pleasant Hill R-III SD	Yes
Raymore-Peculiar R-II SD	Yes
Republic R-III SD	Yes
School of the Osage R-II SD	Yes
Scotland County R-I SD	Yes
Stockton R-I SD	Yes
Summersville R-II SD	Yes
Zalma R-V SD	Yes
Transportation Development Districts (TDD)	
Adams Farm TDD	No
Belton-Cass Regional TDD	Yes



Sunshine Law Review
Custodian of Records

Political Subdivision	Custodian of Records Identified?
Country Club Plaza TDD	Yes
Douglas Station TDD	Yes
East-West Arterial TDD	Yes
Ehrhardt Properties TDD	Yes
Harrisonville Market Place B TDD	Yes
Harrisonville Towne Center TDD	Yes
Horseshoe Bend TDD	Yes
Lucas & Hunt/Chandler TDD	Yes
Market at McKnight TDD	Yes
Mexico Road TDD	Yes
Northwoods TDD	Yes
Olive Boulevard TDD	Yes
Rock Bridge Center TDD	Yes
Southtown TDD	Yes
St. Cyr Road TDD	Yes
St. John Crossings TDD	Yes
Stadium Corridor TDD	Yes
Village of Green Hills TDD	Yes
Fire Protection Districts (FPD)	
Antonia FPD	Yes
Armstrong FPD	Yes
Cedar Hill FPD	Yes
Dadeville Rural FPD	Yes
Elm Township FPD	Yes
Mercer County FPD	No
Monroe City Area FPD	Yes
Morrisville FPD	Yes
North Callaway FPD	Yes
Pleasant Hill FPD	Yes
Rosendale FPD	Yes
South Callaway FPD	Yes
Steelville FPD	Yes
Tri-County FPD	Yes
Versailles FPD 4	Yes
West Peculiar FPD	Yes
Townships	
Bogard Township of Henry County	Yes
Bowling Green Township of Chariton County	Yes
Freeborn Township of Dunklin County	Yes
Jackson Township of Linn County	Yes



Sunshine Law Review
Custodian of Records

Political Subdivision	Custodian of Records Identified?
Liberty Township of Stoddard County	Yes
Myers Township of Grundy County	Yes
Piney Township of Texas County	Yes
Upton Township of Texas County	Yes
Public Water Supply Districts (PWSD)	
PWSD 1 of DeKalb County	Yes
PWSD 1 of Gentry County	Yes
PWSD 1 of Newton County	Yes
PWSD 1 of Reynolds County	Yes
PWSD 2 of Andrew County	Yes
PWSD 2 of Caldwell County	Yes
PWSD 2 of Camden County	Yes
PWSD 2 of St. Charles County	No
PWSD 2 of Wayne County	Yes
PWSD 4 of Cape Girardeau County	Yes
PWSD 4 of Henry County	Yes
PWSD 4 of Texas County	Yes
PWSD 7 of Bates County	Yes
PWSD 7 of Clay County	Yes
PWSD 8 of Cass County	Yes
PWSD 8 of Platte County	Yes
Thomas Hill PWSD 1 of Randolph County	Yes
Community Improvement Districts (CID)	
BaratHaven CID	Yes
Blue Parkway and Colbern Road CID	Yes
Brentwood Blvd/Clayton Rd CID	Yes
Brighton Creek Commons CID	Yes
College Station CID	Yes
Crestwood Market CID	Yes
Crossroads Shopping Center CID	Yes
East Hills CID	Yes
Eastern Hills CID	Yes
Eureka South I-44 CID	Yes
I-470 CID	Yes
Mountain Farm CID	Yes
Phoenix Center II CID	Yes
Railway Exchange Building CID	Yes
Stateline CID	Yes
The Fountains CID	Yes
Viking Conference Center CID	Yes
Villages	
Village of Agency	Yes



Sunshine Law Review
Custodian of Records

Political Subdivision	Custodian of Records Identified?
Village of Lamar Heights	Yes
Village of Loch Lloyd	Yes
Village of Moundville	Yes
Village of Rushville	Yes
Village of Sibley	No
Village of South Greenfield	Yes
Village of Utica	No
Village of Weatherby	Yes
Soil and Water Conservation Districts (SWCD)	
Andrew County SWCD	Yes
Audrain County SWCD	Yes
Barry County SWCD	Yes
Camden County SWCD	Yes
Carter County SWCD	Yes
Cooper County SWCD	Yes
Franklin County SWCD	Yes
Howard County SWCD	Yes
Maries County SWCD	Yes
Monroe County SWCD	Yes
St. Francois County SWCD	Yes
Ste. Genevieve County SWCD	Yes
Worth County SWCD	Yes
Library Districts (LD)	
Carthage Public LD	Yes
Christian County LD	Yes
Gentry County LD	Yes
Hannibal Free Public LD	Yes
Knox County LD	Yes
Livingston County Memorial LD	Yes
Mercer County LD	Yes
Mid-Continent Public LD	Yes
Rolling Hills Consolidated LD	Yes
Scotland County LD	Yes
Scott County LD	No
St. Clair County LD	Yes
Wright County LD	Yes
Levee/Drainage Districts	
Benton Township & Rock Creek Drainage District	Yes
Bois Brule Levee & Drainage District of Perry County	Yes
Drainage District 28 of Stoddard County	Yes



Sunshine Law Review
Custodian of Records

Political Subdivision	Custodian of Records Identified?
Elk Chute Drainage District	Yes
Halls Levee District of Buchanan County	Yes
Levee District 2 of Ray County	Yes
Sugartree Drainage District	Yes
Special Road Districts (SRD)	
Buck Prairie SRD of Lawrence County	Yes
City of Crystal Lakes SRD	Yes
Flemington SRD of Polk County	Yes
Greasy Creek SRD 35 of Barry County	Yes
Hillsboro SRD of Jefferson County	Yes
Mineral Springs SRD 10 of Barry County	Yes
Spickard SRD	Yes
Wellsville SRD of Montgomery County	Yes
Wolfe Creek SRD of Ripley County	Yes
Ambulance Districts (AD)	
Chariton County AD	Yes
Dade County AD	Yes
Grand River Regional AD	Yes
Iron County AD	Yes
Knox County AD	Yes
Mountain View-Summersville AD	No
Saline County AD 3	Yes
Taney County AD	Yes
Van-Far AD	Yes
Counties	
Adair County	Yes
Franklin County	Yes
Lawrence County	No
Miller County	Yes
Mississippi County	No
Scotland County	Yes
Warren County	Yes
Health Departments/Health Centers	
Cape Girardeau County Public Health Department	Yes
Hickory County Health Department	Yes
Madison County Health Department	Yes
Mercer County Health Department	Yes
Moniteau County Health Center	Yes
Nodaway County Health Center	Yes
Pike County Health Department	Yes



Sunshine Law Review
Custodian of Records

Political Subdivision	Custodian of Records Identified?
911 Boards/Emergency Services	
Chariton County 911 Board	Yes
Jasper County Emergency Services	Yes
Jefferson County 911 Board	Yes
Saline County 911 Board	Yes
Sewer Districts	
Camelot Sewer District	Yes
Special Business Districts (SBD)	
Bi-State Commission SBD	Yes
Cape Girardeau SBD	Yes
Clayton SBD	Yes
Kirkwood SBD	Yes
Nursing Home Districts/Adult Care Centers	
Golden Age Nursing Home District 1	Yes
Twin Pines Adult Care Center	Yes
Towns	
Town of Augusta	Yes
Town of Harrisburg	Yes
Hospital Districts	
Ripley County Memorial Hospital District	No
Summary of Results	
Total responses meeting statute	222
Total responses not meeting statute	12
Total	234
Error percentage	5.1%

Sunshine Law Review

Recording Policy

For each political subdivision we mailed a public record request asking if the entity had a policy or ordinance on recording public meetings and to provide a copy, if available. Political subdivisions providing a response addressing the question and providing a copy when available and those responding to all other requested items but not addressing the recording policy question are included in this appendix. "Yes" indicates the recording policy question was answered and documentation provided, if available. "No" indicates an adequate response to the recording policy question was not provided; however, other requested information was provided and is evaluated elsewhere in the report.

Political Subdivision	Was recording policy question fully addressed?
Cities	
City of Arkoe	Yes
City of Atlanta	Yes
City of Bellflower	Yes
City of Cassville	Yes
City of Crestwood	Yes
City of Ethel	Yes
City of Excelsior Estates	No
City of Freeman	Yes
City of Grain Valley	Yes
City of Greenville	Yes
City of Hawk Point	Yes
City of Knob Noster	Yes
City of La Plata	Yes
City of Ladue	Yes
City of Lamar	Yes
City of Louisiana	Yes
City of Matthews	Yes
City of Memphis	Yes
City of Montrose	Yes
City of New Bloomfield	Yes
City of New London	Yes
City of Pleasant Hill	Yes
City of Prairie Home	Yes
City of Sarcoxie	Yes
City of St. Peters	Yes
City of Stanberry	Yes
City of Union Star	Yes
City of Wentzville	Yes



Sunshine Law Review
Recording Policy

Political Subdivision	Was recording policy question fully addressed?
School Districts (SD)	
Blackwater R-II SD	Yes
Brentwood SD	Yes
Brunswick R-II SD	Yes
Chilhowee R-IV SD	Yes
Chillicothe R-II SD	No
Clark County R-I SD	Yes
DeSoto 73 SD	Yes
East Lynne 40 SD	Yes
East Prairie R-II SD	Yes
Gasconade County R-I SD	Yes
Holcomb R-III SD	Yes
Hume R-VIII SD	Yes
Kelso C-7 SD	No
Kirbyville R-VI SD	Yes
Kirkwood R-VII SD	Yes
Knob Noster R-VIII SD	Yes
Knox County R-I SD	Yes
Laclede County C-5 SD	Yes
Laquey R-V SD	Yes
Meadow Heights R-II SD	Yes
Middle Grove C-1 SD	Yes
Missouri City 56 SD	Yes
Mountain View-Birch Tree R-III SD	Yes
Pleasant Hill R-III SD	Yes
Raymore-Peculiar R-II SD	Yes
Republic R-III SD	Yes
School of the Osage R-II SD	Yes
Scotland County R-I SD	Yes
Stockton R-I SD	Yes
Summersville R-II SD	Yes
Zalma R-V SD	Yes
Transportation Development Districts (TDD)	
Adams Farm TDD	Yes
Belton-Cass Regional TDD	Yes
Country Club Plaza TDD	Yes
Douglas Station TDD	Yes
East-West Arterial TDD	No
Ehrhardt Properties TDD	Yes
Harrisonville Market Place B TDD	Yes
Harrisonville Towne Center TDD	Yes



Sunshine Law Review
Recording Policy

Political Subdivision	Was recording policy question fully addressed?
Horseshoe Bend TDD	Yes
Lucas & Hunt/Chandler TDD	Yes
Market at McKnight TDD	Yes
Mexico Road TDD	Yes
Northwoods TDD	Yes
Olive Boulevard TDD	Yes
Rock Bridge Center TDD	Yes
St. Cyr Road TDD	Yes
St. John Crossings TDD	Yes
Stadium Corridor TDD	Yes
Village of Green Hills TDD	No
Fire Protection Districts (FPD)	
Armstrong FPD	Yes
Cedar Hill FPD	Yes
Dadeville Rural FPD	Yes
Elm Township FPD	Yes
Mercer County FPD	No
Monroe City Area FPD	Yes
Morrisville FPD	Yes
North Callaway FPD	Yes
Pleasant Hill FPD	Yes
Rosendale FPD	Yes
South Callaway FPD	Yes
Steelville FPD	Yes
Tri-County FPD	Yes
Versailles FPD 4	Yes
West Peculiar FPD	Yes
Townships	
Bogard Township of Henry County	Yes
Bowling Green Township of Chariton County	Yes
Freeborn Township of Dunklin County	Yes
Jackson Township of Linn County	Yes
Liberty Township of Stoddard County	Yes
Myers Township of Grundy County	Yes
Piney Township of Texas County	Yes
Upton Township of Texas County	Yes
Public Water Supply Districts (PWSD)	
PWSD 1 of DeKalb County	Yes
PWSD 1 of Gentry County	Yes
PWSD 1 of Newton County	Yes
PWSD 1 of Reynolds County	No



Sunshine Law Review
Recording Policy

Political Subdivision	Was recording policy question fully addressed?
PWSD 2 of Andrew County	Yes
PWSD 2 of Camden County	Yes
PWSD 2 of St. Charles County	Yes
PWSD 2 of Wayne County	Yes
PWSD 4 of Cape Girardeau County	Yes
PWSD 4 of Henry County	Yes
PWSD 4 of Texas County	Yes
PWSD 7 of Bates County	Yes
PWSD 7 of Clay County	Yes
PWSD 8 of Cass County	Yes
PWSD 8 of Platte County	Yes
Thomas Hill PWSD 1 of Randolph County	Yes
Community Improvement Districts (CID)	
Barathaven CID	Yes
Blue Parkway and Colbern Road CID	Yes
Brentwood Blvd/Clayton Rd CID	Yes
Brighton Creek Commons CID	Yes
College Station CID	No
Crestwood Market CID	Yes
Crossroads Shopping Center CID	Yes
East Hills CID	Yes
Eureka South I-44 CID	Yes
I-470 CID	Yes
Mountain Farm CID	No
Phoenix Center II CID	Yes
Railway Exchange Building CID	Yes
Stateline CID	Yes
The Fountains CID	Yes
Viking Conference Center CID	Yes
Villages	
Village of Agency	Yes
Village of Lamar Heights	Yes
Village of Loch Lloyd	Yes
Village of Moundville	Yes
Village of Rushville	Yes
Village of Sibley	No
Village of South Greenfield	Yes
Village of Utica	No
Village of Weatherby	Yes
Soil and Water Conservation Districts (SWCD)	
Andrew County SWCD	Yes



Sunshine Law Review
Recording Policy

Political Subdivision	Was recording policy question fully addressed?
Audrain County SWCD	Yes
Barry County SWCD	Yes
Camden County SWCD	Yes
Carter County SWCD	Yes
Cooper County SWCD	Yes
Franklin County SWCD	Yes
Howard County SWCD	Yes
Maries County SWCD	Yes
Monroe County SWCD	Yes
St. Francois County SWCD	Yes
Ste. Genevieve County SWCD	Yes
Worth County SWCD	Yes
Library Districts (LD)	
Carthage Public LD	No
Christian County LD	Yes
Gentry County LD	Yes
Hannibal Free Public LD	Yes
Knox County LD	Yes
Livingston County Memorial LD	Yes
Mercer County LD	No
Rolling Hills Consolidated LD	Yes
Scotland County LD	No
Scott County LD	Yes
St. Clair County LD	Yes
Wright County LD	No
Levee/Drainage Districts	
Benton Township & Rock Creek Drainage District	Yes
Bois Brule Levee & Drainage District of Perry County	Yes
Drainage District 28 of Stoddard County	Yes
Elk Chute Drainage District	Yes
Halls Levee District of Buchanan County	Yes
Levee District 2 of Ray County	Yes
Sugartree Drainage District	Yes
Special Road Districts (SRD)	
Buck Prairie SRD of Lawrence County	Yes
Flemington SRD of Polk County	Yes
Greasy Creek SRD 35 of Barry County	Yes
Hillsboro SRD of Jefferson County	Yes
Laclede County SRD	Yes
Spickard SRD	Yes
Wellsville SRD of Montgomery County	Yes



Sunshine Law Review
Recording Policy

Political Subdivision	Was recording policy question fully addressed?
Wolfe Creek SRD of Ripley County	Yes
Ambulance Districts (AD)	
Chariton County AD	Yes
Dade County AD	Yes
Grand River Regional AD	Yes
Iron County AD	Yes
Knox County AD	Yes
Mountain View-Summersville AD	Yes
Saline County AD 3	Yes
Taney County AD	Yes
Van-Far AD	Yes
Counties	
Adair County	Yes
Franklin County	Yes
Lawrence County	Yes
Miller County	Yes
Mississippi County	Yes
Scotland County	Yes
Warren County	Yes
Health Departments/Health Centers	
Hickory County Health Department	Yes
Madison County Health Department	Yes
Mercer County Health Department	Yes
Moniteau County Health Center	Yes
Nodaway County Health Center	Yes
911 Boards/Emergency Services	
Chariton County 911 Board	Yes
Jasper County Emergency Services	Yes
Jefferson County 911 Board	Yes
Saline County 911 Board	Yes
Sewer Districts	
Camelot Sewer District	Yes
Special Business Districts (SBD)	
Bi-State Commission SBD	Yes
Cape Girardeau SBD	Yes
Clayton SBD	Yes
Kirkwood SBD	Yes



Sunshine Law Review
Recording Policy

Political Subdivision	Was recording policy question fully addressed?
Nursing Home Districts/Adult Care Centers	
Golden Age Nursing Home District 1	Yes
Twin Pines Adult Care Center	Yes
Towns	
Town of Augusta	Yes
Town of Harrisburg	Yes
Hospital Districts	
Ripley County Memorial Hospital District	No
Summary of Results	
Total responses meeting statute (Yes)	201
Total responses not meeting statute (No)	16
Total	217
Error percentage	7.4%

Sunshine Law Review

Public Record Request Results

Sorted by County

This table includes the same information listed in Appendix B, with the addition of the county where each political subdivision is located. For political subdivisions that are located across county borders, the entity is listed under each of the counties where it is located, which means some political subdivisions are listed multiple times. The rest of the information in this table is identical to information presented in Appendix B, which provides results related to compliance with the 3 day rule outlined in the Sunshine Law and overall compliance for all tested Sunshine Law requirements.

Legend

N/A - Compliance could not be evaluated

NR - No response received

UD - Undelivered per USPS

County	Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Adair	Adair County	Yes	Yes
	Twin Pines Adult Care Center	Yes	Yes
Andrew	Andrew County Soil and Water Conservation District	Yes	Yes
	Grand River Regional Ambulance District	Yes	Yes
	Public Water Supply District 2 of Andrew County	Yes	Yes
	Rolling Hills Consolidated Library District	No	No
	Rosendale Fire Protection District	No	No
	Village of Cosby ⁴	Yes	No
Atchison	Benton Township & Rock Creek Drainage District	Yes	Yes
	City of Westboro ¹	Yes	N/A
Audrain	Audrain County Soil and Water Conservation District	No	No
	Middle Grove C-1 School District	No	No
	Van-Far Ambulance District	Yes	No
Barry	Arrow Point Village, Inc.	NR	No
	Barry County Soil and Water Conservation District	Yes	Yes
	City of Cassville	Yes	Yes
	Greasy Creek Special Road District 35 of Barry County	Yes	Yes
	Jenkins Special Road District 20 of Barry County	UD	UD
	Mineral Springs Special Road District 10 of Barry County ⁴	No	No
	Ozark Special Road District of Barry County	UD	UD
Barton	City of Lamar	Yes	Yes
	Village of Lamar Heights	No	No
Bates	Appleton City R-II School District ¹	Yes	N/A
	Charlotte Township of Bates County	NR	No
	City of Rockville	NR	No
	Grand River Township of Bates County	NR	No
	Hume R-VIII School District	Yes	No
	Osage Township of Bates County	NR	No
	Public Water Supply District 7 of Bates County	No	No
	West Point Township of Bates County	NR	No
Benton	City of Cole Camp ¹	Yes	N/A
	City of Lincoln ¹	Yes	N/A
	Zalma R-V School District	Yes	Yes



Sunshine Law Review
Public Record Request Results
Sorted by County

County	Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Bollinger	Meadow Heights R-II School District	Yes	Yes
Boone	Northwoods Transportation Development District ⁹	No	No
	Rock Bridge Center Transportation Development District	No	No
	Stadium Corridor Transportation Development District	Yes	Yes
	Town of Harrisburg	Yes	No
Buchanan	East Hills Community Improvement District	Yes	No
	Halls Levee District of Buchanan County	No	No
	Rolling Hills Consolidated Library District	No	No
	South St. Joseph Industrial Sewer District	NR	No
	Village of Agency	Yes	Yes
	Village of Rushville	No	No
Butler	North Inter-River Drainage District	NR	No
	Stateline Community Improvement District	Yes	Yes
Caldwell	City of Kingston ¹	Yes	N/A
	New York R-IV School District	NR	No
	Public Water Supply District 2 of Caldwell County ¹	Yes	N/A
Callaway	City of New Bloomfield	Yes	No
	North Callaway Fire Protection District	Yes	No
	South Callaway Fire Protection District ¹	No	No
Camden	Camden County	NR	No
	Camden County Soil and Water Conservation District	Yes	No
	Camelot Sewer District ¹	Yes	N/A
	Public Water Supply District 1 of Camden County ⁵	No	No
	Public Water Supply District 2 of Camden County	Yes	No
	School of the Osage R-II School District	Yes	Yes
	Tri-County Fire Protection District	Yes	No
Cape Girardeau	Cape Girardeau County Public Health Department ¹	Yes	N/A
	Cape Girardeau Special Business District ⁹	Yes	Yes
	Meadow Heights R-II School District	Yes	Yes
	Public Water Supply District 4 of Cape Girardeau County	No	No
	Town of Allenville	UD	UD
	Village of Whitewater	NR	No
Carroll	Big Creek - Hurricane Creek Watershed Subdistrict ¹	No	No
	Brunswick R-II School District	Yes	No
	Carroll County Soil and Water Conservation District	NR	No
	Norborne Public Library District	NR	No
	Prairie Township of Carroll County	NR	No
	Sugartree Drainage District	No	No
Carter	Carter County Soil and Water Conservation District	Yes	Yes
Cass	Belton-Cass Regional Transportation Development District	Yes	Yes
	City of East Lynne ¹	No	No
	City of Freeman	Yes	Yes



Sunshine Law Review
Public Record Request Results
Sorted by County

County	Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Cedar	City of Pleasant Hill	Yes	Yes
	East Lynne 40 School District	Yes	No
	Eastern Hills Community Improvement District ¹	Yes	N/A
	Harrisonville Market Place B Transportation Development District	No	No
	Harrisonville Towne Center Transportation Development District	No	No
	I-470 Community Improvement District	Yes	Yes
	Pleasant Hill Fire Protection District	Yes	Yes
	Pleasant Hill R-III School District	No	No
	Public Water Supply District 3 of Cass County	UD	UD
	Public Water Supply District 8 of Cass County ⁹	Yes	Yes
	Raymore-Peculiar R-II School District	Yes	No
	Village of Loch Lloyd	Yes	No
	West Peculiar Fire Protection District	No	No
	Public Water Supply District 1 of Cedar County	NR	No
Chariton	Stockton R-I School District	Yes	No
	Bowling Green Township of Chariton County	Yes	No
	Brunswick R-II School District	Yes	No
Christian	Chariton County 911 Board	Yes	Yes
	Chariton County Ambulance District	Yes	No
	Christian County Library District	No	No
	Republic R-III School District	Yes	No
Clark	Clark County R-I School District	Yes	Yes
	Scotland County R-I School District	Yes	Yes
Clay	Bi-State Commission Special Business District	Yes	Yes
	Brighton Creek Commons Community Improvement District	Yes	Yes
	City of Excelsior Estates	No	No
	Crossroads Shopping Center Community Improvement District	Yes	Yes
	Mid-Continent Public Library District	Yes	No
	Missouri City 56 School District	Yes	No
	New Liberty Hospital District ¹	No	No
	Public Water Supply District 7 of Clay County ¹	No	No
	Cole County Fire Protection District	UD	UD
	Blackwater R-II School District	No	No
Cooper	City of Boonville ¹	Yes	N/A
	City of Prairie Home	No	No
	Cooper County Soil and Water Conservation District	Yes	Yes
	Steeleville Fire Protection District	Yes	Yes
Crawford	Dadeville Rural Fire Protection District	Yes	No
	Dade County Ambulance District	Yes	No
	Stockton R-I School District	Yes	No
	Village of Arcola	NR	No
	Village of South Greenfield	Yes	Yes



Sunshine Law Review
Public Record Request Results
Sorted by County

County	Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
DeKalb	City of Union Star	Yes	No
	Grand River Regional Ambulance District	Yes	Yes
	Maysville R-I School District	NR	No
	Public Water Supply District 1 of DeKalb County	Yes	Yes
	Sherman Township of DeKalb County	UD	UD
	Village of Weatherby	No	No
Dent	Reynolds County Ambulance District	UD	UD
Douglas	Plainview R-VIII School District	NR	No
Dunklin	City of Malden ²	Yes	N/A
	Consolidated Drainage District 2 of Dunklin County	NR	No
	Dunklin County ⁴	Yes	No
	Freeborn Township of Dunklin County	No	No
	Holcomb R-III School District	Yes	No
	Franklin County	Yes	Yes
Franklin	Franklin County Soil and Water Conservation District	Yes	Yes
	Gasconade County R-I School District	Yes	Yes
	Phoenix Center II Community Improvement District	Yes	Yes
	Sullivan Marketplace Community Improvement District	UD	UD
	Gasconade County R-I School District	Yes	Yes
	City of Stanberry	Yes	Yes
Gasconade Gentry	Gentry County Library District	Yes	No
	Grand River Regional Ambulance District	Yes	Yes
	Public Water Supply District 1 of Gentry County ¹	Yes	N/A
	College Station Community Improvement District	Yes	No
	East-West Arterial Transportation Development District	Yes	No
	Greene County	NR	No
Greene	Republic R-III School District	Yes	No
	Strafford Fire Protection District ¹	Yes	N/A
	Jefferson Township of Grundy County ⁴	No	No
	Liberty Township of Grundy County	NR	No
	Myers Township of Grundy County	No	No
	Spickard Special Road District	No	No
Harrison	Clay Township of Harrison County	NR	No
	Grand River Regional Ambulance District	Yes	Yes
	Marion Township of Harrison County ¹	Yes	N/A
	White Oak Township of Harrison County ¹	Yes	N/A
Henry	Bogard Township of Henry County ¹	Yes	N/A
	Chilhowee R-IV School District	Yes	Yes
	City of Montrose	Yes	No
	City of Ulrich ¹	Yes	N/A
	Public Water Supply District 4 of Henry County ¹	Yes	N/A
	Village of Tightwad	NR	No



Sunshine Law Review
Public Record Request Results
Sorted by County

County	Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Hickory	City of Wheatland ¹	Yes	N/A
	Hickory County Health Department	Yes	No
Holt	Bigelow Independent Special Road District of Holt County ¹	Yes	N/A
	Levee District 9 of Holt County ¹	Yes	N/A
Howard	Mound City Rural Fire Protection District ¹	Yes	N/A
	Armstrong Fire Protection District	Yes	No
	Bonne Femme Levee District 1 ⁷	Yes	N/A
Howell	Howard County Soil and Water Conservation District	Yes	Yes
	City of Mountain View ¹	Yes	N/A
	Mountain View-Birch Tree R-III School District	Yes	Yes
Iron	MountainView-Summersville Ambulance District	No	No
	Iron County Ambulance District	Yes	No
Jackson	Adams Farm Transportation Development District	Yes	No
	Bi-State Commission Special Business District	Yes	Yes
	Blue Parkway and Colbern Road Community Improvement District	Yes	Yes
	City of Grain Valley	Yes	Yes
	City of Pleasant Hill	Yes	Yes
	Country Club Plaza Transportation Development District	Yes	No
	Douglas Station Transportation Development District	Yes	Yes
	I-470 Community Improvement District	Yes	Yes
	Mid-Continent Public Library District	Yes	No
	Village of River Bend	UD	UD
	Village of Sibley	Yes	No
	Briarbrook Community Improvement District	NR	No
	Carl Junction Fire Protection District	NR	No
	Carthage Public Library District	No	No
	City of Sarcoxie	No	No
Jasper	Jasper County Emergency Services	Yes	Yes
	Peachtree Community Improvement District	NR	No
	Village of Reeds	NR	No
	Antonia Fire Protection District ¹	Yes	N/A
	Cedar Hill Fire Protection District ¹	Yes	N/A
Jefferson	DeSoto 73 School District	Yes	Yes
	Hillsboro Special Road District of Jefferson County	Yes	No
	Jefferson County 911 Board	Yes	Yes
	Lake Adelle Sewer District	UD	UD
	Chilhowee R-IV School District	Yes	Yes
Johnson	City of Knob Noster	Yes	No
	Knob Noster R-VIII School District	Yes	Yes
Knox	Knox County Ambulance District	Yes	Yes
	Knox County Library District	Yes	Yes
	Knox County R-I School District	Yes	Yes



Sunshine Law Review
Public Record Request Results
Sorted by County

County	Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Laclede	Laclede County C-5 School District	No	No
	Laclede County Special Road District	Yes	No
	The Fountains Community Improvement District	Yes	Yes
	Tri-County Fire Protection District	Yes	No
Lafayette	City of Wellington ¹	Yes	N/A
Lawrence	Buck Prairie Special Road District of Lawrence County	Yes	No
	Lawrence County	Yes	No
	Village of Hoberg	NR	No
Lewis	Clark County R-I School District	Yes	Yes
	Knox County R-I School District	Yes	Yes
Lincoln	City of Hawk Point	Yes	Yes
	Lincoln County	NR	No
Linn	Enterprise Township of Linn County	NR	No
	Jackson Township of Linn County	Yes	No
Livingston	Big Creek - Hurricane Creek Watershed Subdistrict ¹	No	No
	Chillicothe R-II School District	No	No
	City of Chula	NR	No
	Livingston County Memorial Library District	Yes	No
	Livingston County Soil and Water Conservation District ¹	Yes	N/A
	Village of Utica	No	No
Macon	City of Atlanta	Yes	No
	City of Ethel	Yes	No
	City of La Plata	Yes	No
	Knox County R-I School District	Yes	Yes
Madison	Madison County Health Department	Yes	Yes
Maries	Maries County Soil and Water Conservation District	Yes	Yes
Marion	Hannibal 60 School District ²	No	No
	Hannibal Free Public Library District	Yes	Yes
	Marion County Nursing Home District	NR	No
	Monroe City Area Fire Protection District	No	No
Mercer	Mercer County Fire Protection District	No	No
	Mercer County Health Department	Yes	Yes
	Mercer County Library District	No	No
	Public Water Supply District 1 of Mercer County	NR	No
Miller	Cole County Fire Protection District	UD	UD
	Horseshoe Bend Transportation Development District	Yes	Yes
	Miller County	Yes	No
	School of the Osage R-II School District	Yes	Yes
Mississippi	City of East Prairie ¹	Yes	N/A
	East Prairie R-II School District	Yes	No
	Mississippi County	Yes	No
	Mississippi County Soil and Water Conservation District	UD	UD



Sunshine Law Review
Public Record Request Results
Sorted by County

County	Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Moniteau	Moniteau County Health Center	Yes	Yes
Monroe	Middle Grove C-1 School District	No	No
	Monroe City Area Fire Protection District	No	No
	Monroe County Soil and Water Conservation District	Yes	Yes
Montgomery	City of Bellflower	Yes	Yes
	City of Middletown ¹	Yes	N/A
	Gasconade County R-I School District	Yes	Yes
	Montgomery County Health Department ¹	Yes	N/A
	Wellsville Special Road District of Montgomery County	Yes	Yes
Morgan	Golden Age Nursing Home District 1	No	No
	Morgan County Health Center	NR	No
	School of the Osage R-II School District	Yes	Yes
	Versailles Fire Protection District 4	No	No
New Madrid	City of Matthews	Yes	No
	City of Morehouse ¹	Yes	N/A
	East Prairie R-II School District	Yes	No
Newton	Public Water Supply District 1 of Newton County	No	No
Nodaway	City of Arkoe	No	No
	Nodaway County Health Center	Yes	Yes
Osage	Cole County Fire Protection District	UD	UD
	Lake Drainage District 1 of Osage County	NR	No
Pemiscot	Elk Chute Drainage District	No	No
Perry	Bois Brule Levee & Drainage District of Perry County	No	No
Pettis	Knob Noster R-VIII School District	Yes	Yes
	Pettis County Fire Protection District 1	NR	No
Pike	City of Louisiana	No	No
	Louisiana Public Library District	NR	No
	Pike County Health Department ¹	Yes	N/A
	Van-Far Ambulance District	Yes	No
Platte	Bi-State Commission Special Business District	Yes	Yes
	KCI/I-29 Community Improvement District ⁶	Yes	N/A
	Mid-Continent Public Library District	Yes	No
	Public Water Supply District 8 of Platte County	Yes	No
	Tracy Highlands Transportation Development District	UD	UD
	Village of Green Hills Transportation Development District ³	Yes	No
Polk	Flemington Special Road District of Polk County	Yes	Yes
	Morrisville Fire Protection District	Yes	Yes
Pulaski	Ehrhardt Properties Transportation Development District	Yes	Yes
	Laquey R-V School District	Yes	No
	Tri-County Fire Protection District	Yes	No
Putnam	Elm Township Fire Protection District	Yes	Yes
	Liberty Township of Putnam County	NR	No



Sunshine Law Review
Public Record Request Results
Sorted by County

County	Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
	Village of Powersville	NR	No
Ralls	City of New London	Yes	Yes
	Hannibal 60 School District ²	No	No
	Monroe City Area Fire Protection District	No	No
Randolph	Armstrong Fire Protection District	Yes	No
	Higbee Fire Protection District	NR	No
	Thomas Hill Public Water Supply District 1 of Randolph County	Yes	Yes
Ray	City of Crystal Lakes Special Road District ¹	No	No
	City of Excelsior Estates	No	No
	Levee District 2 of Ray County	Yes	Yes
	Public Water Supply District 1 of Ray County ¹	Yes	N/A
Reynolds	Public Water Supply District 1 of Reynolds County	Yes	No
	Reynolds County Ambulance District	UD	UD
Ripley	Ripley County Memorial Hospital District	No	No
	Wolfe Creek Special Road District of Ripley County	Yes	No
Saline	Blackwater R-II School District	No	No
	City of Malta Bend ¹	No	No
	Saline County Ambulance District 3	Yes	No
	Saline County 911 Board ¹	Yes	N/A
Scotland	City of Memphis	Yes	Yes
	Knox County R-I School District	Yes	Yes
	Scotland County	Yes	Yes
	Scotland County Library District	No	No
	Scotland County R-I School District	Yes	Yes
Scott	Kelso C-7 School District	No	No
	Public Water Supply District 1 of Scott County	NR	No
	Scott County Library District	No	No
Shannon	Mountain View-Birch Tree R-III School District	Yes	Yes
	Mountain View-Summersville Ambulance District	No	No
	Summersville R-II School District	Yes	Yes
Shelby	Monroe City Area Fire Protection District	No	No
St. Charles	Augusta Fire Protection District	UD	UD
	BaratHaven Community Improvement District	Yes	Yes
	City of St. Peters	No	No
	City of Wentzville	Yes	Yes
	Kingsmill Transportation Development District	UD	UD
	Mexico Road Transportation Development District	Yes	Yes
	Mountain Farm Community Improvement District	Yes	No
	Public Water Supply District 2 of St. Charles County	Yes	No
	Rivers Pointe Fire Protection District	NR	No
	Town of Augusta	No	No
	Wentzville Parkway I Transportation Development District	NR	No



Sunshine Law Review
Public Record Request Results
Sorted by County

County	Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
St. Clair	Appleton City R-II School District ¹	Yes	N/A
	City of Lowry City	NR	No
	St. Clair County Library District	Yes	No
St. Francois	DeSoto 73 School District	Yes	Yes
	St. Francois County Soil and Water Conservation District	Yes	Yes
St. Louis City	1100 Washington Avenue Community Improvement District ¹	No	No
	City Hospital Laundry Building Transportation Development District	UD	UD
	Railway Exchange Building Community Improvement District ¹	No	No
	Southtown Transportation Development District ⁸	Yes	N/A
St. Louis County	Brentwood Blvd/Clayton Rd Community Improvement District	Yes	Yes
	Brentwood School District	Yes	Yes
	City of Crestwood	Yes	Yes
	City of Ladue	Yes	Yes
	Clayton Special Business District	Yes	Yes
	Crestwood Market Community Improvement District	Yes	Yes
	Eureka South I-44 Community Improvement District ⁶	Yes	N/A
	Kirkwood R-VII School District	Yes	No
	Kirkwood Special Business District	Yes	Yes
	Lucas & Hunt/Chandler Transportation Development District	Yes	No
	Market at McKnight Transportation Development District	Yes	Yes
	Missouri River-Bonfils Sewer District	NR	No
	Olive Boulevard Transportation Development District	Yes	Yes
	St. Cyr Road Transportation Development District	Yes	Yes
	St. John Crossings Transportation Development District	Yes	Yes
	Viking Conference Center Community Improvement District	Yes	Yes
Ste. Genevieve	DeSoto 73 School District	Yes	Yes
	Ste. Genevieve County Soil and Water Conservation District	Yes	Yes
Stoddard	City of Bloomfield	UD	UD
	Districts 1-7-13 & 33-14-17-19 of Stoddard County	UD	UD
	Drainage District 28 of Stoddard County	No	No
	Duck Creek Township of Stoddard County	NR	No
	Liberty Township of Stoddard County	No	No
	Zalma R-V School District	Yes	Yes
Taney	Kirbyville R-VI School District	No	No
	Taney County Ambulance District	No	No
Texas	Mountain View-Birch Tree R-III School District	Yes	Yes
	Mountain View-Summersville Ambulance District	No	No
	Piney Township of Texas County	No	No
	Public Water Supply District 4 of Texas County	Yes	No
	Summersville R-II School District	Yes	Yes
	Upton Township of Texas County	No	No
Vernon	Hume R-VIII School District	Yes	No



Sunshine Law Review
Public Record Request Results
Sorted by County

County	Political Subdivision	Response Received Timely?	Met All Applicable Criteria?
Warren	Moundville Township of Vernon County	NR	No
	Village of Moundville	Yes	No
	Gasconade County R-I School District	Yes	Yes
	Warren County	Yes	No
Wayne	City of Greenville	Yes	No
	Clearwater Ambulance District	NR	No
	Public Water Supply District 2 of Wayne County	No	No
Webster	Strafford Fire Protection District ¹	Yes	N/A
Worth	Worth County Soil and Water Conservation District ¹	Yes	N/A
Wright	Wright County Library District	No	No

¹ The political subdivisions requested payment prior to providing requested documentation, which is permitted by the Sunshine Law. For these political subdivisions, we were only able to evaluate a timely response to the initial inquiry. If the entity provided a response to either the custodian or recording policy request it will be included in Appendix E or F, respectively. Because we did not submit the requested fee when entities asked for prepayment, political subdivisions that responded timely are not evaluated for overall compliance since all criteria could not be reviewed. For political subdivisions that requested payment, but did not respond timely, overall compliance has been indicated as "No."

² The political subdivisions requested clarification prior to providing requested documentation, which is permitted by the Sunshine Law. For these political subdivisions, we were only able to evaluate a timely response to the initial inquiry. If the entity provided a response to either the custodian or recording policy request it will be included in Appendix E or F, respectively. Because we did respond to clarification questions, political subdivisions that responded timely are not evaluated for overall compliance since all criteria could not be reviewed. For political subdivisions that requested clarification, but did not respond timely, overall compliance has been indicated as "No."

³ This political subdivision was established in 2016 while our request was for documentation of meeting minutes and notices from 2015. Minutes and notices were not evaluated in Appendix D, however, compliance has been evaluated for the custodian of records and the recording policy in Appendixes E and F, respectively. Overall compliance is evaluated based on the applicable criteria.

⁴ These political subdivisions denied our public records request without further knowledge of who made the request or why the request was made, or required the requestor to appear in person. Such restrictions to public record access are not permitted by the Sunshine Law.

⁵ This political subdivision sent a letter stating we should expect documentation to be received at a later date. We did not receive a subsequent response with the requested items.

⁶ These political subdivisions dissolved prior to the public records request being made. Minimal information could be provided due to the entity being dissolved.

⁷ The individual who responded for this political subdivision indicated the request had been forwarded to the custodian of records. We could not verify if that occurred, thus no further compliance has been evaluated.

⁸ This political subdivision requested a form to be filled out in order to obtain documentation. Because we did not submit the requested form the political subdivision was not evaluated for overall compliance.



Office of Missouri State Auditor
Nicole Galloway, CPA

Montgomery County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Montgomery County

Sales Tax Procedures	Some capital improvement sales tax revenue was spent for purposes not allowable under state law. In addition, \$250,000 in loans made during 2013 from the Capital Improvements Fund to the General Revenue Fund have not been repaid. The county has not sufficiently reduced the property tax levy to offset 50 percent of sales tax monies received by approximately \$106,000 at December 31, 2015, and property tax reduction amounts were not accurately calculated. The county has imposed 2 sales taxes, totaling 3/4-cent, which exceeds the statutory maximum allowed for general sales taxes per Section 67.547, RSMo, by 1/4-cent.
Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not ensure adequate supervisory reviews of detailed accounting and bank records are performed. Neither the Office Manager nor the Office Assistant prepares monthly lists of liabilities for the fee and inmate commissary accounts, and consequently, liabilities are not agreed to the reconciled bank balances. The Sheriff has not turned over commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. In addition, the Sheriff used commissary net proceeds to purchase items for jail operations outside the normal county procurement or budget process and bid documentation was not retained for all applicable purchases. The Sheriff's office charges \$5 more for serving civil garnishments than allowable by state law. The Sheriff's office does not maintain records to account for phone cards purchased and sold to inmates, and inventory remaining on hand, or conduct periodic physical inventory counts.
County Assessor's Controls and Procedures	The County Assessor has not adequately segregated accounting duties and does not perform adequate supervisory reviews of detailed accounting records. The County Assessor has not established proper controls or procedures for receipting and transmitting monies.
Prosecuting Attorney's Segregation of Duties	The Prosecuting Attorney has not adequately segregated accounting duties and does not perform adequate supervisory reviews of detailed accounting and bank records.
Public Administrator's Annual Settlements	The Circuit Court, Probate Division, does not perform sufficient reviews of the activity of cases assigned to the Public Administrator. In addition, the Public Administrator does not file supporting documentation with the Circuit Court, Probate Division when filing annual settlements and also does not file the bank statement for the last month of the annual settlement period until the following year when the next settlement is filed.
Electronic Data Security	The County Assessor and Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to computers and data.

Additional Comments

Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Montgomery County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Montgomery County

We have audited certain operations of Montgomery County in fulfillment of our duties under Section 29.230, RSMo. In addition, Beard-Boehmer & Associates, PC, Certified Public Accountants, was engaged to audit the financial statements of Montgomery County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

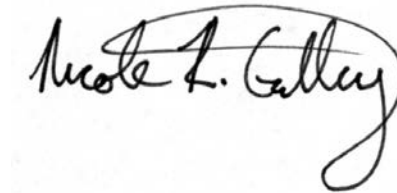
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Montgomery County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Robyn Vogt, M.Acct., CPA
In-Charge Auditor:	Brian Hammann, M.Acct., CPA
Audit Staff:	Albert Borde-Koufie, MBA
	Margie Freeman, CPA

Montgomery County

Management Advisory Report

State Auditor's Findings

1. Sales Tax Procedures

We identified various concerns related to county sales taxes.

1.1 Capital improvements sales tax

Some capital improvement sales tax revenue was spent for purposes not allowable under state law. In addition, \$250,000 in loans made during 2013 from the Capital Improvements (CI) Fund to the General Revenue (GR) Fund have not been repaid.

Section 67.700, RSMo, allows counties to impose a sales tax for any capital improvement purpose designated by the county in a ballot submitted to voters, and requires the monies received from the sales tax to be deposited in a separate account and used solely for the designated capital improvement.

Montgomery County voters extended a 1/2-cent capital improvements sales tax levy in April 2014, for a period of 20 years, with a current expiration date of June 30, 2034. The county collected approximately \$530,000 from this sales tax during the year ended December 31, 2015. The ballot language specified the tax revenue is to be used "for the purpose of funding capital improvements." The ballot language further indicates, "Capital improvements are including but not limited to necessary repairs or improvements to the county courthouse, county jail, and county owned properties. This will allow the county to create a long term plan for assistance in the funding for the renovation or replacement of the county courthouse." This tax revenue is deposited into the CI Fund and is the only source of revenue for this fund.

Purchases

The county used capital improvement sales tax revenue to purchase equipment and other items that are not capital improvement-related costs and are not allowable purchases based on the ballot language. For the year ended December 31, 2015, we identified several unallowable expenditures from the fund including purchases of voting equipment (\$64,400); printers, copiers, shredders, and other office equipment (\$17,700); computers, servers, and other electronic equipment and software (\$15,400); desk chairs (\$1,700); and 2 55-inch televisions, wall mounts, and cord concealers for the county jail (\$1,700). County Commissioners indicated they believed these purchases to be allowable because they are capital expenditures with a useful life of more than one year. However, this explanation is not consistent with the ballot language regarding how the funding would be used.

Loans

In 2013, the County Commission authorized 3 loans, totaling \$250,000, from the CI Fund to the GR Fund. According to the County Commission Court Orders, the loans were used for monthly payroll and accounts payable costs. The court orders further indicate the County Commission had planned to repay the CI Fund for the principal amount borrowed plus accrued



Montgomery County Management Advisory Report - State Auditor's Findings

interest in the 2014 year budget. For the years ended December 31, 2015, and 2014, the county budgeted loan repayments of \$5,000; however, no loan repayments occurred. The county did not budget a loan repayment for the year ended December 31, 2016.

Loan amounts used to cover salary and benefit expenses are not capital improvement related and thus are not allowable. In addition, the county did not track how the loan proceeds were spent. As a result, it is not possible to determine if the county spent any of this money for allowable purposes.

Conclusion

Procedures should be implemented to ensure monies received from the capital improvement sales tax are spent in accordance with the ballot language and state law. In addition, the county should repay the CI Fund for the total amount loaned to the GR Fund plus accrued interest.

1.2 Reduction of property tax levies

The county has not sufficiently reduced the property tax levy to offset 50 percent of sales tax monies received by approximately \$106,000 at December 31, 2015, and county officials did not accurately calculate property tax reduction amounts. As a result, increased property tax levy rollbacks will be required in future years to offset this liability.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Montgomery County voters enacted a 1/2-cent general sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The county is required to estimate the annual property tax levy to meet the 50 percent reduction requirement and in the following year calculate any excess property taxes collected based upon actual sales taxes collected.

The County Clerk's property tax reduction calculations incorrectly accounted for the difference between estimated and actual sales tax monies collected for the preceding year. We identified the following errors in the calculations for the years 2012 through 2015:

- The County Clerk did not follow instructions when making the adjustment for the prior year's sales tax collections. For example, in the 2015 calculation, the \$27,897 adjustment for when 2014 actual sales tax collections were more than estimated collections was incorrectly subtracted instead of added to the total.
- The preceding year's estimated sales tax collection amount was not accurately reported in the subsequent year's calculation when adjusting for the difference between estimated and actual sales tax collections. For example, the County Clerk calculated the 2014 estimated sales tax collections to be \$488,704. However, for the 2015 calculation \$480,000 was used as the 2014 estimated sales tax collection amount.



Montgomery County
Management Advisory Report - State Auditor's Findings

- The calculation accounted for the difference between estimated and actual sales tax collections for the 2 preceding years, when the calculation should only be adjusted for the difference in the most recent year. For example, the 2015 calculation also included an adjustment of \$2,252 for 2013 for when 2013 actual sales tax collections were more than estimated collections. However, this adjustment had already been made in the previous year.

To ensure property tax levies are properly set, the County Commission and County Clerk should ensure property tax reductions are accurately calculated.

1.3 Excess sales tax

The county has imposed 2 sales taxes, totaling 3/4-cent, which exceeds the statutory maximum allowed for general sales taxes per Section 67.547, RSMo, by 1/4-cent. The county received approximately \$265,000 from the excess sales tax during the year ended December 31, 2015. County records provided the following information:

- In November 1993, voters approved a 1/4-cent general sales tax under Section 67.547, RSMo. The GR Fund received approximately \$265,000 in 2015 from this tax. The sales tax is primarily used for operating the county-wide dispatch center and the tax does not have an expiration date.
- In February 2007, voters approved an additional 1/2-cent general sales tax under Section 67.547, RSMo. The GR Fund received approximately \$530,000 in 2015 from this tax. The sales tax is used for general operations of the county and was renewed by voters in April 2013. The sales tax has an expiration date of December 31, 2019.

The County Commission resolutions adopting each of the sales taxes cited Section 67.547, RSMo, as the statutory authority. This section allows counties to impose a rate of 1/8, 1/4, 3/8, or 1/2-cent. Although there is no provision against having 2 sales taxes under this section, the total sales tax cannot exceed 1/2-cent. Attorney General's Opinion No. 61-1989 to the Harrison County Prosecuting Attorney states a county cannot exceed the 1/2-cent tax rate.

Prior to submitting any future sales taxes to voters for approval, the county should review the current sales taxes imposed, research the statutory requirements for current sales taxes, and determine an allowable sales tax statute to ensure statutory limits are not exceeded.



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Recommendations

The County Commission:

- 1.1 Discontinue using capital improvement sales tax revenue for non-capital improvement related costs and repay the Capital Improvements Fund for loans made to the General Revenue Fund.
- 1.2 And the County Clerk properly calculate property tax rate reductions, adequately reduce property tax levies for 50 percent of sales tax revenue, and develop a plan to correct for the prior year's over collection of property taxes.
- 1.3 Review the current sales taxes imposed, research the statutory requirements for current sales taxes, and determine an allowable sales tax statute to ensure sales tax levies do not exceed statutory limits prior to submitting any future sales tax proposals to voters for approval.

Auditee's Response

The County Commission provided the following responses:

- 1.1 *The County Commission believes in the exit meeting with the audit staff we were able to sufficiently articulate the county had spent General Revenue funds that would have been easily allowable to expend on capital improvement projects or items well in excess of any of the questioned items. Both during the audit and at the exit meeting the County Commission also provided to the audit staff our interpretation of the definition of a capital improvement purchase. Suffice to say our interpretation of a capital improvement differs from the auditors. In the future, the County Commission will strive to maintain a consistent definition for capital improvement purchases.*

The County Commission plans to repay the loan to the Capital Improvements Fund with interest now that the county is on more solid financial footing.

- 1.3 *The County Commission has received multiple conflicting legal opinions on the issue brought forth. With lack of guidance from court decisions the County Commission does not plan to reduce the sales tax rate for the time being and will explore the possibility of other sales tax ballot questions in a future election.*

The County Commission and the County Clerk provided the following response:

- 1.2 *The property tax rollback formula in use by the county was found to be inaccurate during the audit. It was also discovered the formula*



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had been incorrect during the previous audit. The auditors at that time did not point out the error and therefore the mistake was not corrected. This error in the formula has been corrected and the appropriate additional rollback amount to correct the error has been put in place thus allowing the property tax rollback increase to pay back the error.

The County Clerk now has a better understanding of the rollback formula and this will ensure the correct formula is used in future calculations. There was never any intention to improperly charge the taxpayers and all funds are accounted for.

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff operates a jail and contracts with a vendor to provide a commissary for inmates to purchase various snacks and personal items, in addition to handling money for bonds, conceal carry weapon permits, civil paper service, phone system commissions, and other miscellaneous receipts. Receipts for the fee account and inmate commissary account totaled approximately \$208,000 and \$90,000, respectively, for the year ended December 31, 2015.

2.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not ensure adequate supervisory reviews of detailed accounting and bank records are performed. The Office Manager is responsible for the fee account and the Office Assistant is responsible for the inmate commissary account. Each employee is responsible for receipting, recording, and depositing monies; making disbursements; and preparing the monthly bank reconciliation for the account assigned. The Chief Deputy Sheriff reviews the bank statements and the bank reconciliations for the fee account, but this review is not documented, does not account for the numerical sequence of receipt slips, and does not ensure monies received have been properly recorded, deposited, and disbursed to the appropriate party. Also, neither the Sheriff nor other office personnel perform a documented supervisory or independent review of detailed accounting and bank records for the inmate commissary account.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting, recording, depositing, disbursing, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include accounting for the numerical sequence of receipt slips and ensuring monies received have been accounted for properly.

2.2 Liabilities

Neither the Office Manager nor the Office Assistant prepares monthly lists of liabilities for the fee and inmate commissary accounts, and consequently,



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liabilities are not agreed to the reconciled bank balances. At our request, a list of liabilities for the fee account was prepared and identified liabilities totaled \$8,396 at April 30, 2016. The reconciled bank balance was \$8,934, leaving an unidentified balance of \$538. Also, at our request, a list of liabilities for the inmate commissary account was prepared and identified liabilities totaled \$1,657 at April 30, 2016. The reconciled bank balance was \$1,681, leaving an unidentified balance of \$24.

Liabilities should be identified monthly and agreed to the reconciled bank balances to ensure sufficient cash is available for the payment of all amounts due and all monies in the bank account can be identified. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed. Various statutory provisions provide for the disposition of unidentified monies.

2.3 Commissary net proceeds and purchases

The Sheriff has not turned over commissary net proceeds to the county Inmate Prisoner Detainee Security Fund as required by state law. In addition, the Sheriff used commissary net proceeds to purchase items for jail operations outside the normal county procurement or budget process and bid documentation was not retained for all applicable purchases. During the year ended December 31, 2015, disbursements using commissary net proceeds totaled \$26,360.

The Sheriff maintains net proceeds from commissary sales in a separate bank account. As of December 31, 2015, approximately \$15,750 of net proceeds remained in the account that should be distributed to the Inmate Prisoner Detainee Security Fund.

Disbursements related to jail operations include the \$18,500 purchase of an inmate transport vehicle, radio equipment for the vehicle costing \$5,600, and \$2,260 in miscellaneous items. These purchases did not go through the normal county procurement or budget process and the County Commission did not approve them. In addition, the Chief Deputy Sheriff indicated he obtained verbal quotes for the radio equipment purchase but did not retain this documentation.

Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, allows retention of a minimum amount of money in the account for cash flow purposes and current expenses, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Treasurer. In addition, Section 50.660, RSMo, lists the requirements for bidding applicable purchases. Documentation of the various proposals received, the selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.



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2.4 Civil paper service fees

The Sheriff's office charges \$5 more for serving civil garnishments than allowed by state law. The office charges paper service fees totaling \$35 for civil garnishments and \$30 for all other civil summons. Office personnel could not explain why they collected the additional \$5 for civil garnishments.

Section 57.280, RSMo, provides the sheriff shall receive a total of \$30 for service of any summons, writ or other order of court, in connection with any civil case. Therefore, the Sheriff does not have statutory authority to collect the additional amount on civil garnishments and should discontinue collecting it.

2.5 Phone cards

The Sheriff's office does not maintain records to account for phone cards purchased and sold to inmates, and inventory remaining on hand, or conduct periodic physical inventory counts. As a result, records and procedures are not sufficient to account for phone cards or monies collected, and loss, theft, or misuse may go undetected. Phone card order records indicate card sales to inmates totaled approximately \$8,900 for the year ended December 31, 2015.

Detailed inventory records are necessary to account for phone cards. Comparisons of card purchases and sales to inventory records are necessary to ensure the cards and associated monies are properly recorded and handled.

Similar conditions previously reported Recommendations

A similar condition to section 2.1 was noted in our prior audit report and a similar condition to section 2.2 was noted in our prior 3 audit reports.

The Sheriff:

- 2.1 Segregate accounting duties or ensure independent or supervisory reviews of accounting and bank records are performed and documented.
- 2.2 Prepare monthly lists of liabilities for all accounts and agree the totals to the reconciled bank balances. Any differences should be promptly investigated and resolved.
- 2.3 Ensure existing and future commissary net proceeds not necessary to meet cash flow needs or current operating expenses are disbursed to the County Treasurer for deposit in the Inmate Prisoner Detainee Security Fund. In addition, the Sheriff should ensure bids are documented for all applicable purchases in accordance with state law.
- 2.4 Discontinue collecting the additional fee on civil garnishments.



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Management Advisory Report - State Auditor's Findings

Auditee's Response

2.5 Maintain inventory records of phone cards, reconcile these records to phone cards purchased and sold, and perform periodic physical inventory counts.

2.1 *We agree with the recommendation and have implemented changes.*

2.2 *We agree with the recommendation and have implemented the recommended procedures.*

2.3 *We agree with the recommendation. Commissary net proceeds not needed to meet current operating expenses will be disbursed to the County Treasurer. All purchases not for commissary purposes will be made from the Inmate Prisoner Detainee Security Fund. Bids for future purchases will be obtained and documented when applicable. These issues with the account occurred during the transition of the account custody from the Reserve Officers to the Sheriff's office.*

2.4 *This has been discontinued.*

2.5 *We agree with the recommendation and have implemented changes.*

3. County Assessor's Controls and Procedures

3.1 Segregation of duties

Controls and procedures in the County Assessor's office need improvement. The office collected approximately \$11,400 for maps, plat books, electronic data access, and miscellaneous fees during the year ended December 31, 2015.

The County Assessor has not adequately segregated accounting duties and does not perform adequate supervisory reviews of detailed accounting records. All employees are responsible for collecting and receipting monies, and one of these employees is responsible for preparing the monthly transmittal report and transmitting monies received to the County Treasurer. The County Assessor's review of detailed accounting records is not documented and does not ensure monies received have been properly recorded and transmitted by reconciling receipt slips to the amounts transmitted. For example, a cash receipt slip issued for \$35 was only recorded as \$25 on the monthly transmittal report and only \$25 was transmitted to the County Treasurer. The County Assessor's review did not identify this discrepancy and no one could explain why the receipt slip amount differed from the transmittal report amount.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and transmitting monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting records are essential and should include reconciling receipt slips to the amounts transmitted.



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3.2 Receipting and transmitting

The County Assessor has not established proper controls or procedures for receipting and transmitting monies. A March 10, 2016, cash count and review of the County Assessor's office receipt slips, transmittal reports, and County Treasurer receipt slips identified the following concerns:

- Receipt slips are not issued for all monies received. For the year ended December 31, 2015, we identified 66 receipts totaling \$5,741, listed on the transmittal reports that were not receipted by the County Assessor's office.
- Monies received are not always transmitted timely to the County Treasurer. Only 9 transmittals occurred during the year ended December 31, 2015. For example, receipts collected during April 2015, totaling \$1,836 (including \$203 in cash), were not transmitted until June 5, 2015.
- Checks are not restrictively endorsed immediately upon receipt. Endorsement is applied by the County Treasurer after the checks have been transmitted to her.

To account for receipts and reduce the risk of loss, theft, or misuse of funds, official prenumbered receipt slips should be issued for all monies received, receipts should be transmitted timely, and checks should be restrictively endorsed immediately upon receipt. In addition, Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to file a monthly report with the county and pay such monies to the County Treasurer.

Recommendations

The County Assessor:

- 3.1 Segregate accounting duties or ensure independent or supervisory reviews of accounting records are performed and documented.
- 3.2 Issue prenumbered receipt slips for all monies received, transmit receipts timely, and restrictively endorse checks immediately upon receipt.

Auditee's Response

All fees were turned over to the County Treasurer.

All fees collected will be receipted. A stamp will be used on all checks by endorsing upon collection to the Montgomery County Assessor. Also, each month before monies are turned over, the Deputy Assessor will verify receipts before turning them over to the County Treasurer.

Monies received will be turned over to the County Treasurer each month. Numbered receipt slips are used.



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4. Prosecuting Attorney's Segregation of Duties

The Prosecuting Attorney has not adequately segregated accounting duties and does not perform adequate supervisory reviews of detailed accounting and bank records. The office collected approximately \$106,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.

The Office Manager is responsible for receipting, recording, and depositing monies; making disbursements or transmittals; and preparing the monthly bank reconciliation. The Prosecuting Attorney's review of detailed accounting records does not include a review of bank records, does not account for the numerical sequence of receipt slips, and does not ensure monies received have been properly recorded in the accounting system and disbursed or transmitted to the appropriate party.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting, recording, depositing, disbursing or transmitting, and reconciling monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include accounting for the numerical sequence of receipt slips and ensuring monies received have been accounted for properly.

A similar condition was noted in our prior audit report.

Recommendation

The Prosecuting Attorney segregate accounting duties or ensure independent or supervisory reviews of accounting and bank records are performed and documented.

Auditee's Response

The Prosecuting Attorney accepts the State Auditor's findings. Although segregation of duties is not possible within our office due to limited staffing, the office immediately began taking the additional steps as recommended by the State Auditor's Office.

5. Public Administrator's Annual Settlements

The Circuit Court, Probate Division, does not perform sufficient reviews of the activity of cases assigned to the Public Administrator. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division, and was responsible for the financial activity of 30 individuals as of December 31, 2015.

The court's review of disbursements on annual settlements is limited to verifying the accuracy of amounts reported by reviewing copies of canceled checks included as part of the bank statements. In addition, the Public Administrator does not file supporting documentation with the Circuit Court, Probate Division when filing annual settlements. For example, one ward's annual settlement and canceled checks showed disbursements made to credit card companies, various businesses, and individuals. Without



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additional supporting documentation such as invoices, the court cannot be certain of the purpose and appropriateness of the expenses. The Public Administrator also does not file the bank statement for the last month of the annual settlement period until the following year when the next settlement is filed.

Without such documentation, it is difficult for the court to assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring supporting documentation be filed with the court and reviewed in conjunction with the annual settlements.

Recommendation

The Circuit Judge, Probate Division, establish procedures to adequately monitor the activity of cases assigned to the Public Administrator, and require supporting documentation such as invoices and all bank statements be filed with the court for the annual settlement.

Auditee's Response

In response to the Auditor's findings regarding the Public Administrator's annual settlements, the Court will make the following references:

- 1. The Auditor was able to access all documents and receipts needed to verify all expenditures made by the Public Administrator and found that the Public Administrator made NO inappropriate payments or expenditures.*
- 2. Missouri law does not require invoices to be submitted. See Sections 475.270 and 473.543, RSMo.*
- 3. The Public Administrator has not previously submitted the bank statements for the last month of the annual settlement period because she had not received the statement prior to the deadline for the filing of the annual settlement. However, the bank statement from the last month of the annual settlement was submitted to the court with the next annual settlement. Upon receipt, the Court would then review the bank statement from the last month of the prior annual settlement along with the bank statements submitted for the subsequent annual settlement.*

However, the Court will abide by the Auditor's recommendations and implement policies for the filing of invoices for expenditures over \$75 in each annual settlement. In addition, the Public Administrator has agreed to submit with her annual settlements the information available to her from online banking for bank account activity for the last month of the annual settlement period.



Montgomery County
Management Advisory Report - State Auditor's Findings

6. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

The County Assessor and Recorder of Deeds have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed by employees in these offices, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

A similar condition was noted in our prior audit report.

Recommendation

The County Commission work with other county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to county's computers and data.

Auditee's Response

The County Commission will continue to stress to officeholders the importance of electronic/cyber security including password security for the prevention of unauthorized access to any of the county's computers and data.

Montgomery County

Organization and Statistical Information

Montgomery County is a county-organized, third-class county. The county seat is Montgomery City.

Montgomery County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 96 full-time employees (including elected officials) and 14 part-time employees on December 31, 2015.

In addition, county operations include the Senate Bill 40 Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Ryan D. Poston, Presiding Commissioner	\$	29,390
Rich Daniels, Associate Commissioner		27,390
John W. Noltensmeyer, Associate Commissioner		27,390
Sheila See, Recorder of Deeds		41,500
Pamela A. Cartee, County Clerk		41,500
Nathan Carroz, Prosecuting Attorney		51,000
Robert (Bob) Davis, Sheriff		46,000
Donna Huenefeld, County Treasurer		41,500
David Colbert, County Coroner		14,000
Ann Scarlet, Public Administrator		25,000
Anita L. Sullivan, County Collector, year ended February 29,	41,500	
Jerome P. Overkamp, County Assessor, year ended August 31,		41,500
Larry P. Bade, County Surveyor (1)		

(1) Compensation on a fee basis.



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Marion County

Marion County

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Marion County

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-021, *Marion County* (rated as Fair), issued in April 2016, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by Senate Bill 40 Board employees and held discussions with employees to verify the status of implementation for the recommendations. Documentation provided included Board meeting minutes, budgets, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during October 2016.

Nicole R. Galloway, CPA
State Auditor

Marion County

Follow-Up Report on Audit Findings

Status of Findings

- | | |
|--|---|
| 1. Senate Bill 40 Board's Expenditures | The Senate Bill 40 Board for Marion County is known as the Marion County Services for the Developmentally Disabled (MCSDD). Significant improvement was needed over the MCSDD Board's controls over expenditures. |
| 1.1 Credit cards | <p>Controls over credit cards needed improvement. We identified various problems as follows.</p> <ul style="list-style-type: none">• The MCSDD Board had not adopted formal policies and procedures documenting who should be assigned a credit card, appropriate usage for credit cards, and required documentation to support credit card purchases.• The MCSDD did not maintain documentation of or solicit bids for all pieces of durable medical equipment purchased.• Documentation was not maintained to indicate durable medical equipment was delivered to a MCSDD client with a need for the equipment.• The MCSDD Board did not approve purchases made using credit cards.• The MCSDD did not have documentation to support who received gift cards. |

Recommendation

The MCSDD Board establish complete and detailed written credit card policies and procedures, comply with bidding requirements, maintain adequate supporting documentation for all disbursements, ensure credit card purchases are properly approved, and properly account for gift cards.

Status

Implemented

A complete and detailed written credit card policy was implemented in October 2015. MCSDD personnel indicated there have not been any purchases that should have been bid since issuance of the report in April 2016. We reviewed Board minutes for April 2016 to August 2016 and all purchases made for August 2016, and did not identify any purchases for which bids should have been obtained. MCSDD personnel indicated the Board is aware of the bidding requirements and will comply when applicable.

We reviewed the July and August 2016 credit card statements and noted each charge was supported by adequate documentation including an approved purchase order and associated invoice and/or receipt. MCSDD personnel indicated the practice of using gift cards was discontinued in October 2015.



Marion County
Follow-up Report on Audit Findings
Status of Findings

1.2 Checks issued for cash

The MCSDD issued numerous checks for cash. Checks were issued for cash to transfer monies between funds, to obtain cash to make various purchases, and to provide spending cash to clients.

Our review of the checks issued for cash identified the following concerns:

- We noted instances where checks were issued for cash to make purchases, but cash remaining after the purchase was not accounted for.
- There was no documentation that clients received spending money, because they were not required to sign for the cash.
- There was no documentation that gift cards purchased by MCSDD were received by the intended recipients.
- We noted a check written to cash to purchase Christmas gifts for a family in need in November 2014. Documentation was not maintained to show if this family was associated with an MCSDD client or this money was spent on an MCSDD client.
- There was no documentation of the prizes awarded or the disposition of change funds after completion of fundraisers.

Recommendation

The MCSDD Board discontinue the practice of writing checks for cash and maintain documentation to support all expenditures and distribution of client monies for individual spending.

Status

Partially Implemented

MCSDD personnel indicated the practice of writing checks to cash from the General Fund was discontinued in September 2015; however, our review of the August 2016 bank statement identified 3 checks totaling \$162 written to cash. The approved purchase order for one check totaling \$98 indicated the monies were used to reimburse 3 client accounts. These reimbursements should have been made by check. MCSDD personnel indicated the checks were made to cash in error, and they will refrain from writing checks to cash from the General Fund.

MCSDD personnel indicated they will continue to write checks to cash monthly for clients in Individualized Supported Living (ISL) homes for their spending money. We reviewed the ISL information for August 2016, including bank statements and supporting documentation. In addition to the checks made to cash for client spending money, there were checks made to cash in order to purchase groceries and supplies. A spreadsheet is maintained to track purchases of groceries and supplies for each ISL home. A spreadsheet is also maintained for each client by the ISL home manager



Marion County
Follow-up Report on Audit Findings
Status of Findings

documenting all transactions to provide a running list of the cash on hand, and all purchases are supported by receipts.

1.3 Signing checks

The Executive Director's signature was the only signature required on MCSDD checks issued for less than \$2,500 including checks where the Executive Director was also the payee. When the Executive Director was unavailable, her facsimile signature stamp was applied to checks, but there was no documentation of who used the signature stamp or subsequent approval by the Executive Director.

Recommendation

The MCSDD Board require dual signatures on all checks and ensure the signor is not the payee. In addition, the MCSDD Board should establish appropriate controls over the use of the facsimile signature stamp.

Status

Partially Implemented

The MCSDD Board has decided to not require dual signatures on all checks, but will continue with the existing policy of requiring dual signatures only on checks exceeding \$2,500. We reviewed the 4 checks over \$2,500 on the August 2016 bank statement and noted each check had dual signatures. The MCSDD Board no longer allows a signor to be the payee. Appropriate controls have been established over the facsimile stamp. The facsimile stamp is secured in a locked location and the user must initial the check when the facsimile stamp is used. We reviewed the canceled checks for August 2016 and noted users complied with the established control.

1.4 Payroll advances

The MCSDD issued payroll loans to employees in violation of the Missouri Constitution. Employees could request salary advances from the Executive Director by indicating the amount needed. If the Executive Director approved the advance, the Payroll Manager would prepare a payroll advance agreement and have the employee sign it, and a check would be processed through the payroll account. The Payroll Manager also participated in the payroll advance program. Although the Executive Director authorized the advances made to the Payroll Manager, an independent review was not performed to ensure advances made were the approved amount and repaid in accordance with the payroll advance agreement.

Recommendation

The MCSDD Board discontinue the policy of allowing payroll advances to employees. In addition, the MCSDD Board should ensure there is proper documented segregation of duties of this program until all remaining loans have been repaid.

Status

Implemented

MCSDD personnel indicated the practice of allowing payroll advances to employees was discontinued in August 2015. At the time we issued the audit report, there were 2 employees making payments on previous payroll



Marion County
Follow-up Report on Audit Findings
Status of Findings

advances. Both employees repaid their payroll advances in 2016. The employees tracking these repayments did not receive advances.

1.5 Mileage reimbursement Mileage reimbursements made to the Executive Director were not approved and were not in compliance with MCSDD policy. We noted an instance where the Executive Director's mileage reimbursement was calculated as \$1,087, however the check was issued for \$1,807, resulting in an overpayment of \$720. Additionally, the MCSDD Board's policy indicated "employees scheduled to travel more than 150 miles round trip shall use the agency gasoline credit card and shall receive reimbursement for the use of their automobile at the rate of \$.19 per mile." We reviewed mileage reimbursements made to the Executive Director and noted trips in excess of 150 miles were reimbursed at the rate of \$.46 per mile. The Executive Director did not use the MCSDD credit card to purchase fuel for these trips.

Recommendation

The MCSDD Board provide oversight for all reimbursements made to the Executive Director, ensure compliance with the mileage reimbursement policy, and obtain repayment for all overpayments.

Status

In Progress

The Executive Director indicated she has not made any mileage reimbursement claims since the audit report was issued. The Finance Manager verified this statement. We did not notice any mileage reimbursements to the Executive Director during our review of August 2016 disbursements. When a mileage reimbursement claim is submitted in the future, the Executive Director will ensure it complies with the mileage reimbursement policy, and that it would be properly approved by the Board Treasurer. Repayment for the overpayment occurred in September 2015.

1.6 Staff incentives

The MCSDD awarded gifts to employees in violation of the Missouri Constitution.

Recommendation

The MCSDD Board discontinue the practice of giving gift cards and cash as employee incentives and ensure all employee compensation is properly taxed and reported to the Internal Revenue Service (IRS).

Status

Implemented

MCSDD personnel indicated the practice of giving gift cards and cash as employee incentives was discontinued in August 2015. According to MCSDD personnel, the only compensation given to employees is their regular salary, which is properly taxed and reported to the IRS by the Board's contracted payroll service.



Marion County
Follow-up Report on Audit Findings
Status of Findings

1.7 Late fees, finance
charges, and overdraft
fees

The MCSDD incurred late fees and/or finance charges due to untimely bill payment and overdraft charges on its bank accounts.

Recommendation

The MCSDD Board implement procedures to ensure bills are paid timely and bank account balances are properly monitored to avoid late fees, finance charges, and bank overdraft fees.

Status

Implemented

The Executive Director reviews the bank accounts weekly to ensure the accounts will not incur overdraft fees. Additionally, she ensures the credit card statement is paid on time monthly to avoid finance charges and late fees. We reviewed the August 2016 bank statement for the General Fund bank account and did not note any overdraft fees. In addition, we reviewed the July and August 2016 credit card statements and did not note any finance charges or late fees.

2. Senate Bill 40 Board's
Controls and Procedures

The MCSDD's controls and procedures needed improvement.

2.1 Receipts and deposits

Controls and procedures over receipting and depositing monies were not sufficient. A log was maintained for checks received in the mail; however, we noted several instances where checks were not recorded in the mail log, including checks received from employees to reimburse the MCSDD for a staff event. The MCSDD also did not issue receipt slips for cash donations received.

In addition, monies were not promptly recorded in the software system, there was no documented reconciliation of the receipt logs to the amount receipted into the software system before deposits were made, and checks were not restrictively endorsed immediately upon receipt.

Recommendation

The MCSDD Board develop one centralized receipting system and ensure prenumbered receipt slips are issued for all monies immediately upon receipt. In addition, receipts should be deposited timely, and all checks should be restrictively endorsed upon receipt.

Status

In Progress

MCSDD personnel indicated they are using one prenumbered receipt slip book for all monies received. We compared deposits totaling approximately \$21,000 during August 2016 to the receipt slip book. We noted one \$20 receipt was deposited but recorded in a different receipt slip book. MCSDD personnel indicated this receipt was issued in another book due to a misunderstanding and they intend to use only one receipt slip book.



Marion County
Follow-up Report on Audit Findings
Status of Findings

A review of the date of the receipts as compared to the date of each deposit indicated receipts were being deposited timely. In addition, MCSDD personnel indicated they were restrictively endorsing checks immediately upon receipt.

2.2 Bank reconciliation

The June 30, 2015, bank reconciliation for the payroll account was not prepared properly and a list of outstanding checks was not prepared.

Recommendation

The MCSDD Board ensure monthly bank reconciliations are properly performed and listings of outstanding checks are prepared to support the bank reconciliations. Any differences between accounting records and reconciliations should be promptly investigated and resolved.

Status

Implemented

MCSDD personnel indicated they are preparing bank reconciliations monthly. We requested the August 2016 bank statements and bank reconciliations for the Board's 7 checking accounts and 1 savings account. We noted a bank reconciliation had been performed for each account and a listing of outstanding checks was prepared, when applicable. No differences were noted in any of the bank reconciliations.

2.3 Outstanding checks

The MCSDD Board had not established procedures to routinely follow up on outstanding checks. As a result, some checks had been outstanding for over a year.

Recommendation

The MCSDD Board establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If the payee cannot be located, the amount should be disbursed in accordance with state law.

Status

In Progress

MCSDD personnel indicated they review the outstanding checks monthly with the bank reconciliations. The August 2016 bank reconciliations did not list any checks outstanding for more than a year. However, the old outstanding checks identified during the audit had been voided but were not reissued. These voided checks are being tracked in a spreadsheet while MCSDD personnel attempt to reissue them. MCSDD personnel indicated any check that cannot be reissued will be disbursed in accordance with state law by the end of 2016.

2.4 Closed meetings

The MCSDD Board discussed issues in closed meetings that are not allowable under the Sunshine Law. Additionally, for closed meetings held, open meeting minutes did not cite the specific statute and subsection allowing the closure.



Marion County
Follow-up Report on Audit Findings
Status of Findings

Recommendation	The MCSDD Board ensure open meeting minutes document the specific statutory reason for entering closed meetings and ensure items discussed in closed meetings comply with the Sunshine Law.
Status	In Progress We reviewed the Sunshine Law policy adopted by the MCSDD Board in October 2015. The MCSDD Board has not gone into a closed meeting since the audit report was issued in April 2016.
2.5 Posting meeting notifications and agendas	The MCSDD Board did not post notification or agendas for meetings.
Recommendation	The MCSDD Board provide proper notice of meetings and ensure appropriate agendas are posted and retained.
Status	Implemented We requested the agendas for the April 2016 through August 2016 meetings, and noted they had been properly retained. MCSDD personnel indicated they began posting the agendas in a display case at the administrative building and the program building. The date and time of the monthly meetings is posted on the MCSDD's website.
2.6 Budgets	The MCSDD Board did not file formal budgets with the State Auditor's Office for the years ended June 30, 2015, and 2014. In addition, the budgets approved by the MCSDD Board did not include other required information.
Recommendation	The MCSDD Board ensure accurate and complete budgets are prepared and submitted to the State Auditor's Office as required by state law.
Status	In Progress We reviewed the year ended June 30, 2017, budget and it did not include all the information required by state law, and was not submitted to the State Auditor's Office. The July 2016 Board meeting minutes indicate officials used the previous 2 years revenues and expenditures information to develop the budget; however, the budget did not include those amounts as state law requires. MCSDD personnel indicated they will continue to improve the budget process for the year ended June 30, 2018, in order to create a complete and accurate budget. Additionally, they will submit the budget to the State Auditor's Office.
2.7 Financial statements	The MCSDD Board did not publish its financial statements for the years ended June 30, 2015, and 2014.



Marion County
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The MCSDD Board publish financial statements annually as required by state law.

Status

In Progress

The MCSDD is audited annually. An audit for the year ended June 30, 2016, was scheduled to start in November 2016. After that audit report is issued, MCSDD personnel indicated they will publish the financial statements as required.



Office of Missouri State Auditor
Nicole Galloway, CPA

**Monthly Report on Transportation
Development District Filings
October 2016**

Monthly Report on Transportation Development District Filings

October 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this compilation is to report the filing status for the transportation development districts (TDD) with an April 30, 2016, fiscal year end, that were required to file a financial report by October 31, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030. Section 105.145, RSMo, provides that the State Auditor's Office (SAO) notify the Department of Revenue if any TDD fails to timely submit a copy of its annual financial statement.

The filing statuses for the 3 TDDs are presented in summary on page 3 and by individual entity in Appendix A. This report also includes the updated filing status for the TDD that filed a financial report in October 2016, after the filing deadline. The filing status for this TDD is presented in summary on page 3 and in Appendix B. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other assurance on them.

Nicole R. Galloway, CPA
State Auditor

The following staff participated in the preparation of this report:

Director of Audits:	Jon Halwes, CPA, CGFM
General Counsel:	Paul Harper, JD
Senior Analyst:	Jill Wilson, MBA

Monthly Report on Transportation Development District Filings

October 2016

Executive Summary

Executive Summary

The Missouri Transportation Development District Act, Sections 238.200 to 238.725, RSMo, governs transportation development districts (TDDs). TDDs are political subdivisions whose purpose is to fund, promote, plan, design, construct, improve, maintain, and operate one or more projects or to assist in such activity. TDDs are authorized to assess both sales and property taxes to fund the completion of the projects.

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 105.145, RSMo, effective August 28, 2016, requires the State Auditor to notify the Department of Revenue if any TDD fails to timely submit a copy of its annual financial statement. Any TDD that fails to timely submit the annual financial statement shall be subject to a fine of \$500 per day upon notice by the Department of Revenue, unless the TDD has gross revenues less than \$5,000 in the fiscal year of the annual financial statement.

Effective August 28, 2016, Section 238.222, RSMo, requires all TDDs existing at that time to submit the contact information for the current board of directors and their date of organization to the State Auditor before December 31, 2016. All TDDs formed after August 28, 2016, have 30 days from the first meeting of the board to submit this information to the State Auditor.

This report includes the filing status for the 3 TDDs with a fiscal year end of April 30, 2016. Each TDD filed an annual financial report by October 31, 2016. The report also includes the filing status for 1 TDD that filed a financial statement in October 2016, after its filing deadline. No TDDs filed contact information for their board of directors or their organization date during this reporting period.

Appendix A

Status of Transportation Development Districts Required to File Annual Financial Reports
Reports Due October 31, 2016

Fiscal Year Ended April 30, 2016

<u>Reporting Entity</u>	<u>Filed Annual Financial Report</u>	<u>Date Filed</u>
Lake Ozarks Community Bridge TDD	Yes	August 30, 2016
Shoal Creek Pkwy/N.Oak Trficwy TDD	Yes	October 31, 2016
Kansas City Downtown Streetcar TDD	Yes	August 30, 2016
Total Filed	3	
Total Not Filed	0	

Appendix B

Status of Transportation Development District Required to File Annual Financial Report
Reports Due September 30, 2016

Filed in October 2016

Fiscal Year Ended March 31, 2016

Reporting Entity	Filed Annual Financial Report	Date Filed
The 210 Hwy TDD	Yes	October 7, 2016
Total Filed During October 2016	1	



Office of Missouri State Auditor
Nicole Galloway, CPA

**Monthly Report on Municipal Court
and Revenue Filings
October 2016**

Monthly Report on Municipal Court and Revenue Filings

October 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this compilation is to report the filing status for the cities, towns, and villages with an April 30, 2016, fiscal year end, that were required to file a financial report by October 31, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030, and, when applicable, a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180. The filing status for these 19 cities, 1 town, and 4 villages are presented in summary on page 3 and by individual entity in Appendix A. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them.

Section 479.362, RSMo, provides that the State Auditor's Office (SAO) notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the addendum provision of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, and will not be transmitting any information related to the addendum under Section 479.359, RSMo, to the Department of Revenue.

This report also includes the updated filing status for cities, towns, and villages that filed at least one of the items (financial report, addendum, or certification) in October 2016, after their filing deadline. The filing status for these 21 cities and 1 village is presented in summary on page 3 and by individual entity in Appendixes B to G.

Nicole R. Galloway, CPA
State Auditor

The following staff participated in the preparation of this report:

Director of Audits:	Jon Halwes, CPA, CGFM
General Counsel:	Paul Harper, JD
Senior Analyst:	Jill Wilson, MBA

Monthly Report on Municipal Court and Revenue Filings

October 2016

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359.1, RSMo, requires every county, city, town, and village to annually calculate the percentage of its annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations.

Section 479.359.3, RSMo, provides that all municipalities file an addendum to the annual financial report containing (1) annual general operating revenue; (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations; and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the provisions of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, but has identified entities filing addendums.

Section 479.360, RSMo, requires every county, city, town, and village that operates a municipal court to file, with its annual financial report, a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. 15 CSR 40-3.180 provides the procedure to file the municipal court certification. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

This report includes the filing status for the 19 cities, 1 town, and 4 villages with a fiscal year end of April 30, 2016, whose financial reports or certifications were due by October 31, 2016. Of the 24 entities, 11 filed an annual financial report and 4 entities filed an addendum. A municipal court certification was required to be filed by 9 of the 24 entities, of which 1 was filed. No counties had to file within the reporting period of this report.

This report also includes the filing status for 21 cities and 1 village that filed at least one of the items (financial report, addendum, or certification) in October 2016, after their filing deadline. Of these entities, 10 filed an annual financial report, 5 filed an addendum, and 14 filed a municipal court certification.

Appendix A
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due October 31, 2016

Fiscal Year Ended April 30, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Alma	No	Yes	Yes
City of Ashland	Yes	—	n/a
City of Beverly Hills	Yes	Yes	No
City of Carl Junction	No	—	No
City of Charleston	No	—	n/a
City of Higbee	No	—	n/a
City of Hornersville	Yes	—	No
City of Kansas City	No	—	No
City of La Belle	Yes	—	n/a
City of La Grange	Yes	—	n/a
City of Linn	No	—	n/a
City of Palmyra	Yes	Yes	No
City of Perry	Yes	—	n/a
City of Portage Des Sioux	No	Yes	n/a
City of Portageville	No	—	No
City of Princeton	Yes	—	n/a
City of Risco	No	—	No
City of St. James	No	—	No
City of Trenton	Yes	—	n/a
Town of Grand Falls Plaza	Yes	—	n/a
Village of Gentry	No	—	n/a
Village of Ionia	No	—	n/a
Village of Truxton	No	—	n/a
Village of Wentworth	Yes	—	n/a
Total Filed	11	4	1
Total Not Filed	13	0	8
Total N/A	0	0	15

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

n/a Entities without a municipal judge are not required to file a certification.

Appendix B

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due September 30, 2016

Filed in October 2016

Fiscal Year Ended March 31, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of East Prairie	**	—	Yes
City of Jennings	**	**	Yes
City of Kirkwood	**	**	Yes
City of Lexington	**	Yes	Yes
City of Licking	Yes	Yes	Yes
City of Monett	**	Yes	Yes
City of Pierce City	Yes	**	**
City of Tarkio	**	—	Yes
City of West Plains	**	Yes	Yes
Village of Sunrise Beach	No	—	Yes
Total Filed During October 2016	2	4	9

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by September 30, 2016.

Appendix C

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due August 31, 2016

Filed in October 2016

Fiscal Year Ended February 29, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Pasadena Hills	No	—	Yes
City of Vandalia	Yes	—	No
Total Filed During October 2016	1	0	1

- * As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

Appendix D

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due July 31, 2016

Filed in October 2016

Fiscal Year Ended January 31, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of St. Martins	Yes	—	n/a
Total Filed During October 2016	1	0	0

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

n/a Entities without a municipal judge are not required to file a certification.

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due June 30, 2016

Filed in October 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Eldon	Yes	***	***
City of Miami	Yes	—	n/a
City of New Madrid	Yes	***	***
City of Queen City	Yes	—	n/a
City of Randolph	Yes	—	Yes
Total Filed During October 2016	5	0	1

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

*** Filed after June 30, 2016, but before October 1, 2016.

n/a Entities without a municipal judge are not required to file a certification.

Appendix F

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due March 31, 2016

Filed in October 2016

Fiscal Year Ended September 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Bonne Terre	***	—	Yes
Total Filed During October 2016	0	0	1

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

*** Filed after March 31, 2016, but before October 1, 2016.

Appendix G

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due December 31, 2015

Filed in October 2016

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Berger	No	Yes	Yes
City of Gasconade	No	—	Yes
City of Seymour	Yes	***	***
Total Filed During October 2016	1	1	2

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

*** Filed after December 31, 2015, but before October 1, 2016.



Office of Missouri State Auditor
Nicole Galloway, CPA

Department of Revenue
**Undeliverable Individual Income
Tax Refunds**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Department of Revenue Undeliverable Individual Income Tax Refunds

Background

Undeliverable individual income tax refund checks returned to the Department of Revenue (DOR) by the United States Postal Service are reviewed by DOR personnel to ensure the mailing addresses were accurately entered into the DOR system. The DOR publishes monthly information online of returned undeliverable refund checks. One year after the original issue date, an uncashed check is considered void and can no longer be cashed. The State Treasurer's Office (STO) General Services Division attempts to find payees of voided checks through an online database. If the General Services Division is unable to locate the taxpayer and the taxpayer does not contact the state to claim the refund within 3 years of the initial check date, the STO General Services Division transfers the refund to the STO Unclaimed Property Division, which publishes lists of all unclaimed monies, including undeliverable refunds.

Publication of Undeliverable Refund Checks

Current procedures result in undeliverable individual income tax refund checks being taken off of the DOR's published list 2 years before being placed on the STO unclaimed property system. As a result, the state held an estimated \$3 million in undeliverable income tax refunds at June 30, 2016, not included in a public list. Publicizing the voided undeliverable refund checks until they are turned over to unclaimed property would increase the visibility of checks being held by the state, and would increase the likelihood of taxpayers claiming refunds owed to them.

Because of the limited objectives of this audit, no overall rating is provided.

Department of Revenue

Undeliverable Individual Income Tax Refunds

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
John Mollenkamp, Acting Director
Department of Revenue
Jefferson City, Missouri

We have audited certain operations of the Department of Revenue related to undeliverable individual income tax refunds in fulfillment of our duties under Chapter 29, RSMo. The scope of the audit included, but was not necessarily limited to, the year ended June 30, 2016. The objectives of our audit were to:

1. Evaluate the internal controls over significant management and financial functions for undeliverable individual income tax refunds.
2. Evaluate compliance with certain legal provisions for undeliverable individual income tax refunds.
3. Evaluate the economy and efficiency of certain management practices and operations for undeliverable individual income tax refunds.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) a deficiency in management practices and operations. The accompanying Management Advisory Report presents our finding arising from our audit of Undeliverable Individual Income Tax Refunds.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Robert Showers, CPA, CGAP
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Joshua Shope, M.Acct., CPA

Department of Revenue

Undeliverable Individual Income Tax Refunds

Introduction

Background

The Department of Revenue (DOR) was created by Article IV, Section 12, Missouri Constitution as the central collection agency for state revenues. The DOR Taxation Division administers and collects personal taxes, including individual income taxes, and initiates refunds for overpayments. According to DOR records, during the year ended June 30, 2016, the DOR collected approximately \$7.2 billion in individual income tax revenues and paid individual income tax refunds totaling approximately \$998 million to taxpayers, consisting of approximately \$639 million in ACH (direct deposit) transactions and approximately \$359 million in check payments.

Undeliverable refund checks returned to the DOR by the United States Postal Service (USPS) are reviewed by DOR personnel to ensure the mailing addresses were accurately entered into the DOR system. Personnel also review National Change of Address (NCOA) reports to determine if a taxpayer had a change of address after the submission of the tax return. Based on these reviews, checks are re-mailed, as applicable. Any ACH refund transaction rejected by a bank due to erroneous banking information is also reviewed by DOR personnel to ensure the banking information in the DOR system agrees to the income tax return. If no errors are found, DOR personnel attempt to call the taxpayer. If the DOR is unable to contact a taxpayer, a refund check is printed and mailed to the address listed on the tax return.

As allowed by Section 32.057.2(2)(b), RSMo, the DOR publishes monthly information online of undeliverable refund checks returned to the DOR by the USPS. During the year ended June 30, 2016, the DOR received 7,443 undeliverable refund checks back from the USPS totaling approximately \$2.2 million.

One year after the original issue date, an uncashed check is considered void pursuant to Section 30.200, RSMo, and can no longer be cashed. This includes any checks returned to the DOR by the USPS, as well as any checks delivered to a taxpayer, but not cashed. Any such checks are removed from the monthly returned refund information on the DOR's website, as applicable. During the year ended June 30, 2016, approximately \$4.5 million in uncashed checks were voided due to the check age exceeding a year. The State Treasurer's Office (STO) assumes responsibility of all uncashed checks after they have been voided.

The STO General Services Division performs efforts to find payees of voided checks, which include using an online database that derives data from various public sources. In addition, taxpayers may contact the DOR Taxation Division or the STO General Services Division to claim a refund from a voided income tax refund check. If the General Services Division is unable to locate the taxpayer and the taxpayer does not contact the state to claim the refund within 3 years of the initial check date, the STO General



Department of Revenue
Undeliverable Individual Income Tax Refunds
Introduction

Services Division transfers the refund to the STO Unclaimed Property Division to be held in the Abandoned Fund pursuant to Section 447.532, RSMo.

The Unclaimed Property Division posts all unclaimed monies, including undeliverable refunds, on an STO webpage¹ and publishes a list of all individuals with unclaimed property over \$50 in a newspaper in the county of the individual's last known residence for 2 consecutive weeks near the end of June each year. The Unclaimed Property Division also proactively attempts to find individuals using taxpayer social security numbers. During the year ended June 30, 2016, the General Services Division transferred approximately \$2.2 million in individual income tax refunds to the Unclaimed Property Division, consisting of 22,901 checks.

Scope and Methodology

To gain an understanding of undeliverable individual income tax refunds, we reviewed written policies and procedures, financial records, and other pertinent documents; interviewed various personnel of the DOR and the STO; and tested select transactions.

We obtained an understanding of the internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We obtained an understanding of legal provisions that are significant with the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

¹ Unclaimed Property, < <https://www.treasurer.mo.gov/unclaimedproperty/main.aspx>>, accessed on November 9, 2016.

Department of Revenue

Undeliverable Individual Income Tax Refunds

Management Advisory Report - State Auditor's Finding

Publication of Undeliverable Refund Checks

Department of Revenue (DOR) procedures related to publicizing undeliverable individual income tax refunds could be improved. Current procedures result in undeliverable refund checks being taken off of the DOR's published list for more than 2 years before being placed on the State Treasurer's Office (STO) unclaimed property system. As a result, the state held an estimated \$3 million in undeliverable income tax refunds at June 30, 2016, not included in a public list.

As allowed by Section 32.057.2(2)(b), RSMo, every month, the DOR publishes information on undeliverable income tax refund checks on a department webpage,² listing the name, address, and tax year for each check. The information lists only undeliverable refund checks that are less than a year old. Pursuant to Section 30.200, RSMo, an uncashed check is considered void a year from the original issue date and cannot be cashed. The DOR removes voided checks from the information reported on its webpage monthly and the STO General Services Division takes over responsibility for those checks. The General Services Division attempts to find the taxpayers owed this money by various means, including searching an online database. Money owed to a taxpayer who cannot be located within 3 years of the initial check date is turned over to the STO Unclaimed Property Division.

During the 2 years from the time the STO General Services Division takes over responsibility for finding the taxpayers until the checks are turned over to the STO Unclaimed Property Division, there is no publication of the refund checks being held. Publicizing the voided undeliverable refund checks until they are turned over to unclaimed property would increase the visibility of checks being held by the state, and would increase the likelihood of taxpayers claiming these monies.

Recommendation

The DOR work with the STO to ensure undeliverable individual income tax refund checks are tracked and publicized to taxpayers until they are turned over to the STO's Unclaimed Property Division.

Auditee's Response

The DOR will work with the STO and discuss our options to publicize undeliverable refund checks.

² <<http://dor.mo.gov/personal/individual/refunds/>>, accessed on November 9, 2016.

Department of Revenue

Undeliverable Individual Income Tax Refunds

Historical Data

The following tables provide historical data relevant to our audit of undeliverable individual income tax refunds.

The number of undeliverable checks as well as the dollar value of the checks reported on the Department of Revenue (DOR) website at June 30 are presented in Table 1.

Table 1: Undeliverable refund checks reported by DOR at June 30, by year

Year	Number of Checks	Total Amount
2016	6,641	\$ 1,360,153
2015	6,023	1,330,184
2014	4,229	987,561

Source: DOR records

The dollar value of all uncashed individual income tax refund checks voided after a year for which responsibility was turned over to the State Treasurer's Office (STO) are presented in Table 2.

Table 2: Uncashed individual income tax refund checks turned over to STO, by year

Year Ended June 30,	Number of Checks	Total Voided Refund Checks
2016	30,839	\$ 4,450,884
2015	18,497	2,528,736
2014	24,644	3,287,894

Source: STO records

The amount of uncashed individual income tax refund checks for which the STO General Services Division was able to locate the owners prior to turning the money over the STO Unclaimed Property Division during the last 3 fiscal years is presented in Table 3.

Table 3: Uncashed individual income tax refunds for which the STO located the owner, by year

Year Ended June 30,	Number of Checks	Total For Owners Located by STO
2016	315	\$ 1,278,959
2015	222	407,746
2014	20	453,728

Source: STO records

The number of checks and total amount of individual tax refunds transferred by the STO General Services Division to the STO Unclaimed Property Division during the last 3 fiscal years is presented in Table 4.

Table 4: Individual income tax refunds transferred to the STO Unclaimed Property Division, by year

Year Ended June 30,	Number of Checks	Dollar Amount
2016	22,901	\$ 2,239,422
2015	24,264	2,407,819
2014	23,132	2,485,788

Source: STO records



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Douglas County

Douglas County

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Douglas County

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-012, *Douglas County* (rated as Poor), issued in March 2016, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by county officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the county included personnel policies, bank statements and reconciliations, receipts and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during October 2016.

Nicole R. Galloway, CPA
State Auditor

Douglas County

Follow-Up Report on Audit Findings

Status of Findings

1. County Procedures	Controls and procedures over fuel use and personnel policies needed improvement.
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1.1 Fuel use	The county lacked adequate procedures to account for fuel use by the road and bridge department and the Sheriff's office. Mileage and fuel logs were not maintained for the road and bridge department's vehicles and equipment, and none of the 7 portable tanks used by department employees were metered. Sheriff's office employees did not always enter the odometer reading on fuel logs maintained or use them to reconcile to fuel purchases.
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Recommendation	The County Commission require mileage and fuel logs be maintained for road and bridge department vehicles and equipment. The County Commission should work with the Sheriff to ensure odometer readings are entered on the fuel logs, and these logs are reviewed for accuracy and reconciled to fuel purchases.
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Status	Partially Implemented Mileage and fuel logs are now maintained for road and bridge department vehicles and equipment. The bulk fuel logs list the amount of fuel pumped into the 7 portable tanks; however, these tanks are not metered and the amount of fuel used from them is not monitored. Sheriff's office employees reconciled the fuel logs to fuel purchases for the month of August 2016; however, the odometer reading was not always entered on the logs.
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1.2 Personnel policies	The county's personnel policy did not address the maximum amount of compensatory time emergency personnel were allowed to accrue and did not define which employees are considered emergency personnel. Two road and bridge employees had accrued excessive compensatory balances that were above the limits of both the county and Fair Labor Standards Act (FLSA) policies. The road and bridge supervisor directly supervised his son, and the county's personnel policy did not address employment of related individuals. The county's personnel policy was not in compliance with the Family and Medical Leave Act (FMLA). The county's personnel policy indicated an expectant mother could have up to 6 weeks leave without pay for maternity leave and could also use accrued vacation and sick leave, but did not refer to the FMLA or address the 12 weeks of job protected leave required by the FMLA.
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Recommendation	The County Commission revise the personnel policies to adequately address compensatory time, related employees, and maternity leave.
----------------	--



Douglas County
Follow-up Report on Audit Findings
Status of Findings

Status

In Progress

The County Commissioners indicated they have been reviewing personnel policies of 3 neighboring counties and plan to revise the county's personnel policies to address these issues by the end of 2016.

2. Electronic Data Security

Controls over county computers were not sufficient to prevent unauthorized access.

2.1 Passwords

The County Collector, County Assessor, County Clerk, Recorder of Deeds, and Sheriff had not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices were not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

Recommendation

The County Commission work with other county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.

Status

In Progress

The County Collector, County Clerk, and Sheriff now require confidential passwords for each employee that are periodically changed. The County Assessor and Recorder of Deeds also now require confidential passwords for their employees; but have not required the passwords be changed periodically. The County Assessor is in the process of implementing new software in her office and indicated she would work with her computer programmer to require passwords be changed periodically. The Recorder of Deeds indicated she would work with her computer programmer to require passwords be changed periodically.

2.2 Security controls

Security controls were not in place to lock computers in some county offices after a specified number of incorrect logon attempts or after a certain period of inactivity.

Recommendation

The County Commission work with other county officials to require each county computer to have security controls in place to lock it after a specified number of incorrect logon attempts or after a certain period of inactivity.

Status

In Progress

The County Clerk and Sheriff now require each computer in their offices to lock after a specified number of incorrect logon attempts and after a certain period of inactivity.

The County Assessor and County Collector now require each computer in their offices to lock after a specified number of incorrect logon attempts, but



Douglas County
Follow-up Report on Audit Findings
Status of Findings

that control has not been established for a certain period of inactivity. The County Assessor is in the process of implementing new software in her office and indicated she will work with her computer programmer to require this security control. The County Collector indicated she would work with her computer programmer to require this security control.

The Recorder of Deeds' computer does not lock after a specified number of incorrect logon attempts or after a certain period of inactivity. The Recorder of Deeds indicated she would work with her computer programmer to require these security controls.

3. Prosecuting Attorney's Controls and Procedures Controls and procedures in the Prosecuting Attorney's office needed improvement.

3.1 Segregation of duties The Prosecuting Attorney had not adequately segregated accounting duties or performed supervisory reviews of accounting records. Additionally, a legal assistant also had the ability to record adjustments to defendant accounts in the computerized accounting system without independent approval. The Prosecuting Attorney did not perform a documented supervisory review of the accounting records to ensure all monies received were properly recorded and deposited or disbursed to the appropriate party.

Recommendation

The Prosecuting Attorney adequately segregate accounting duties or ensure supervisory reviews of accounting records are performed and documented. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments.

Status

Partially Implemented

The Prosecuting Attorney indicated accounting duties cannot be adequately segregated because of limited staff. However, he documented his supervisory review of the September 2016 bank statement and reconciliation, and indicated he reviews each case file before signing checks issued. A report of all adjustments made to the computerized accounting system is not generated or reviewed.

3.2 Deposits

Monies received were not deposited timely.

Recommendation

The Prosecuting Attorney ensure receipts are deposited timely.

Status

Not Implemented

Depositing procedures did not change, and monies received during September 2016 were not deposited timely. Three deposits occurred during that month, and each deposit exceeded \$1,000.



Douglas County
Follow-up Report on Audit Findings
Status of Findings

3.3 Liabilities

The Prosecuting Attorney did not reconcile the list of liabilities to the reconciled bank balance, and had not investigated and resolved any differences.

Recommendation

The Prosecuting Attorney reconcile the list of liabilities to the reconciled bank balance, promptly investigate any differences, and dispose of unidentified monies in accordance with state law.

Status

In Progress

The Prosecuting Attorney reconciled the list of liabilities to the September 30, 2016, reconciled bank balance. The reconciled bank balance was \$1,672, while the list of liabilities totaled \$591, resulting in \$1,081 in unidentified monies in the account. The amount of unidentified monies has decreased from \$1,465 during the audit. The Prosecuting Attorney indicated office personnel will continue trying to identify who is owed the unidentified monies and will dispose of applicable monies in accordance with state law, if a payee cannot be located.

3.4 Disbursement of restitution

Restitution was not always timely disbursed to victims.

Recommendation

The Prosecuting Attorney ensure timely disbursement of restitution monies.

Status

Implemented

The Prosecuting Attorney indicated his office is working to ensure timely disbursement of restitution to victims. The list of liabilities for September 2016, identified \$591 being held for 11 cases. The Prosecuting Attorney had documented reasons for holding money on these cases. Total liabilities had decreased from the approximately \$5,200 held during the audit.

4. Public Administrator's Controls and Procedures

Controls and procedures in the Public Administrator's office needed improvement.

4.1 Annual settlements

Some annual settlements prepared by the Public Administrator's office were not adequately detailed. The source of receipts and the payee for several disbursements was not adequately or accurately documented. In addition, the Circuit Court, Probate Division, did not perform sufficient reviews of the activity of cases assigned to the Public Administrator. Bank statements and canceled checks were not filed with the court for some annual settlements reviewed and approved by the Circuit Court, Probate Division. The Public Administrator did not file supporting documentation, such as invoices with the Circuit Court, Probate Division, when filing annual settlements.



Douglas County
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The Public Administrator prepare annual settlements that adequately detail and report all receipts and disbursements. In addition, the Circuit Judge, Probate Division, should establish procedures to adequately monitor the activity of all cases assigned to the Public Administrator, and require supporting documentation such as bank statements, canceled checks, and invoices to be filed with the court.

Status

Partially Implemented

The Public Administrator did not participate in the follow-up report.

During our review of an annual settlement selected and documentation provided by the court, we noted the annual settlement reviewed accurately included the source of receipts and the payee for disbursements. Bank statements and canceled checks were included with the annual settlement reviewed; however, no invoices were filed with this annual settlement. The Circuit Judge, Probate Division, indicated expenses of the estate reviewed were routine in nature and did not warrant invoices being filed with the court. The Circuit Judge, Probate Division, indicated she will require invoices to be filed if there are disbursements for unusual amounts.

4.2 Filing of annual settlements

The Public Administrator did not always file annual settlements timely. In addition, the clerk of the Circuit Court, Probate Division, did not timely notify the Public Administrator of the deadline for an annual settlement.

Recommendation

The Public Administrator ensure annual settlements are timely filed. In addition, the Circuit Court, Probate Division, should timely notify the Public Administrator of annual settlement deadlines and follow up on annual settlements that are not filed by the required date.

Status

Partially Implemented

The Public Administrator did not timely file 2 of 3 annual settlements reviewed. One settlement was filed 2 months late and the other was filed 6 months late. The Circuit Court, Probate Division, is currently tracking annual settlement deadlines using a manual system, and had timely notified the Public Administrator of these annual settlement deadlines. The Circuit Judge, Probate Division, indicated the Public Administrator is retiring at the end of her term in December 2016, and that she would work with the new Public Administrator to ensure annual settlements were filed timely.

4.3 Disbursements

The Public Administrator's handling of transactions involving a ward living in Florida needed improvement. The Public Administrator lacked adequate documentation showing the ward or others accepting payment on behalf of the ward received gift cards, a phone, and a check. The Public Administrator indicated she mailed gift and phone cards and the phone to the ward through standard mail.



Douglas County
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The Public Administrator obtain and retain documentation supporting monies or other items of value provided to a ward. If such items have to be sent to a ward, using a method that will track delivery of the items should be considered.

Status

Implemented

During our review of this ward's annual settlement for the period October 2014 to October 2015, we noted the use of gift cards was discontinued and saw no purchases of phones or other personal items that would have been mailed to the ward. The Public Administrator mailed checks to the ward; however, the ward endorsed each check and the transactions looked appropriate. The Circuit Judge, Probate Division, indicated that if another situation arose where items were mailed to the ward, the court would obtain and retain adequate supporting documentation and ship items using a method that would track delivery.

5. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office needed improvement.

5.1 Bank reconciliations and liabilities

Sheriff's office personnel had not prepared monthly bank reconciliations or a list of liabilities for the civil fee bank account. In addition, a list of liabilities was not prepared and reconciled to the general fee account bank reconciliation.

Recommendation

The Sheriff perform monthly bank reconciliations and prepare monthly lists of liabilities for all accounts and compare lists of liabilities to the available cash balances, and promptly investigate and resolve differences.

Status

Partially Implemented

Sheriff's office personnel indicated they prepare bank reconciliations monthly. The August 2016 bank reconciliation prepared for the civil fee bank account was not accurate and included \$355 in deposits in transits that had cleared the bank or were accounting errors. Sheriff's office personnel also prepared a list of liabilities for the month of August 2016, but did not reconcile it to the available cash balance. After adjusting for the deposits in transits errors, the August 31, 2016, reconciled bank balance for the civil fee account was \$1,443, while the list of liabilities totaled \$789, resulting in a difference of \$654. The August 31, 2016, reconciled bank balance for the general fee account was \$529. A list of liabilities was not prepared. Sheriff's office personnel indicated the differences would be investigated.

5.2 Deposits

Monies received were not deposited timely. Deposits were typically made weekly into the general and civil fee bank accounts.



Douglas County
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The Sheriff ensure receipts are deposited timely.

Status

Implemented

Sheriff's office personnel indicated they are trying to make deposits more timely. During our review of some receipts collected in August 2016, we noted deposits to both bank accounts occurred within 1 to 3 business days after monies were received.

5.3 Seized property

A physical inventory of seized property had not been performed, and seized property records included all seized property and did not document what property items were currently on hand, had been returned to owners, or destroyed. In addition, some seized property had been held for years with some items dating back to at least 2006.

Recommendation

The Sheriff ensure a periodic inventory is conducted and reconciled to the seized property records, and investigate any differences. The Sheriff should also maintain seized property records that document the seized property on hand and the disposition of any seized property, and make timely and appropriate dispositions of seized property.

Status

In Progress

The Sheriff indicated the evidence officer is currently conducting an inventory of seized property. He anticipates it will take a while to complete the inventory due to limited staff, and will update the seized property records as the inventory occurs. The Sheriff indicated he is working with the Prosecuting Attorney and the Associate Circuit Court Judge to dispose of seized property. Requests for disposal of seized property forms for 11 cases were approved by the Prosecuting Attorney and the Associate Circuit Court Judge in August 2016.

**6. County Collector's
Receipts and Deposits**

County Collector's office personnel did not always record the method of payment accurately in the property tax system, and the composition of receipts was not reconciled to the composition of deposits. In addition, the property tax system reduced the total cash amount collected on the collection reports for overpayments and subsequent refunds. Since the cash amount was reduced, the total cash amount received did not agree to the total cash amount deposited. The County Collector did not deposit monies timely. Deposits were generally only made weekly for some months.

Recommendation

The County Collector accurately record the method of payment, reconcile the composition of receipts to the composition of deposits, and deposit monies intact and timely. The County Collector should also consider working with the tax system programmer to implement changes to the system that will allow overpayments and refunds to be properly recorded in the property tax system.



Douglas County
Follow-up Report on Audit Findings
Status of Findings

Status

Implemented

The County Collector improved procedures related to reconciling the composition of receipts to the composition of deposits. During our review of accounting records for 5 days in September and October 2016, the County Collector accurately recorded the method of payment and reconciled the composition of receipts to the composition of deposits. Depositing procedures improved. During September 2016, most deposits were made 1 to 3 business days from the date of the receipt. The County Collector indicated she discussed implementing changes to the system that will allow overpayments and refunds to be properly recorded in the property tax system with the system programmer, but the programmer indicated no changes could be made. The County Collector now manually documents overpayments and refunds on her daily collection reports and uses the information when reconciling the composition of receipts to the composition of deposits.

7. Recorder of Deeds'
Controls and Procedures

Controls and procedures in the Recorder of Deeds' office needed improvement.

7.1 Bank reconciliations
and liabilities

Bank reconciliations and lists of liabilities had not been prepared for office bank accounts since October 2013. The Recorder of Deeds maintained a fee account for the deposit of all monies received, except for federal and state tax liens, which were deposited in a separate bank account. Deposits were not recorded in the check register and a running balance was not maintained for the fee account. The Recorder of Deeds had not disbursed any of the monies collected for federal and state tax liens since December 31, 2013, and did not maintain a check register for this account.

Recommendation

The Recorder of Deeds perform monthly bank reconciliations and prepare monthly lists of liabilities for all accounts, and compare the list of liabilities to available cash balances, and promptly investigate and resolve differences. The Recorder of Deeds should also turn over federal and state tax lien fees to the County Treasurer.

Status

Partially Implemented

The federal and state tax lien account was closed in December 2015, and the Recorder of Deeds transferred the \$645 balance to the fee account. The Recorder of Deeds has turned over a portion of the federal and state tax lien fees to the County Treasurer; however, supporting documentation of all the monies turned over could not be provided. The Recorder of Deeds is now preparing bank reconciliations monthly. The September 30, 2016, reconciled bank balance for the fee account was \$230; however, a list of liabilities was not prepared. The Recorder of Deeds indicated most of the monies on hand were federal and state tax lien fees; however, documentation to support amounts on hand could not be provided. Some



Douglas County
Follow-up Report on Audit Findings
Status of Findings

differences between the reconciled bank balance and liabilities still exist; however, the Recorder of Deeds indicated she is working to resolve those differences. A running balance is now maintained for the fee account; however, deposits are still not recorded in the check register as they occur.

7.2 Deposits

Monies received were not deposited timely.

Recommendation

The Recorder of Deeds ensure receipts are deposited timely.

Status

Implemented

The Recorder of Deeds improved the depositing procedures. During our review of September 2016 accounting and bank records, receipts were deposited within 3 business days of receipt.

7.3 Transaction numbers

The Recorder of Deeds did not account for the numerical sequence of transaction numbers assigned by the computerized accounting system.

Recommendation

The Recorder of Deeds account for the numerical sequence of all transaction numbers.

Status

Not Implemented

At the time of our follow-up meeting, the Recorder of Deeds had not taken any steps to implement this recommendation. The Recorder of Deeds indicated she would start accounting for the numerical sequence of all transaction numbers in the future.



Office of Missouri State Auditor
Nicole Galloway, CPA

Missouri State Highway Patrol's
Use of Highway Funds

Year Ended June 30, 2016



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Department of Public Safety- Missouri State Highway Patrol's Use of Highway Funds

Background	Missouri state law requires the Missouri State Auditor to examine whether State Highways and Transportation Fund appropriations to the Missouri State Highway Patrol are used in accordance with the Missouri Constitution, which limits the use of these funds to activities related to administering and enforcing state motor vehicle laws or traffic regulations.
Methodology	Audit staff reviewed policies and procedures, financial records, and other pertinent documents; interviewed agency personnel; and tested selected transactions. Auditors also reviewed highway patrol calculations of amounts spent for non-highway activities, and the amounts spent for highway-related activities from other funding sources.
Conclusions	The audit determined the Missouri State Highway Patrol complied with legal provisions related to the use of this funding for the 2016 fiscal year.

Because of the limited objective of this review, no overall rating is provided.

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Missouri State Highway Patrol's Use of Highway Funds

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
Lane Roberts, Director
Department of Public Safety
and
Colonel J. Bret Johnson, Superintendent
Missouri State Highway Patrol
Jefferson City, Missouri

We have audited the Department of Public Safety, Missouri State Highway Patrol's Use of Highway Funds, as required by Section 226.200.3, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2016. The objective of our audit was to determine whether the agency is in compliance with legal provisions related to the use of Highway Funds.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The Background, Methodology and Conclusions present our comments concerning the overall compliance related to the Department of Public Safety, Missouri State Highway Patrol's Use of Highway Funds.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	Joyce Thomson
Staff Auditor:	Kent A. Dauderman, M.Acct.

Missouri State Highway Patrol's Use of Highway Funds

Background, Methodology, and Conclusions

Background

The State Auditor is required to determine whether appropriations from the State Highways and Transportation Fund (State Highway Fund) to the Missouri State Highway Patrol (MSHP) are used for administering and enforcing state motor vehicle laws and traffic regulations pursuant to the constitution.

Limitations and requirements Article IV, Section 30(b), Missouri Constitution, limits the MSHP's use of highway funds to activities related to administering and enforcing state motor vehicle laws or traffic regulations. In addition, Section 226.200.3, RSMo, provides, in part:

" . . . Appropriations allocated from the state highways and transportation department fund to the highway patrol shall only be used by the highway patrol to administer and enforce state motor vehicle laws or traffic regulations. Beginning July 1, 2007, any activities or functions conducted by the highway patrol not related to enforcing or administering state motor vehicle laws or traffic regulations shall not be funded by the state highways and transportation department fund, but shall be funded from general revenue or any other applicable source. Any current funding from the highways and transportation department fund used for activities not related to enforcing state motor vehicle laws or traffic regulations shall expire on June 30, 2007. The state auditor shall annually audit and examine the appropriations made to the highway patrol to determine whether such appropriations are actually being used for administering and enforcing state motor vehicle laws and traffic regulations pursuant to the constitution. The state auditor shall submit its annual findings to the general assembly by January fifteenth of each year."

During the year ended June 30, 2016, the MSHP utilized appropriations from the State Highway Fund as follows:



Missouri State Highway Patrol's Use of Highway Funds Background, Methodology, and Conclusions

	Appropriation		Lapsed
	Authority	Expenditures	Balances*
Enforcement personal service	\$ 69,384,627	66,906,520	2,478,107
Enforcement expense and equipment	5,905,036	5,723,855	181,181
Technical services personal service	14,023,229	12,874,789	1,148,440
Technical services expense and equipment	13,500,001	12,431,344	1,068,657
Vehicle and driver safety personal service	10,866,272	10,350,554	515,718
Vehicle and driver safety expense and equipment	1,021,875	981,612	40,263
Refund unused motor vehicle inspection stickers	100,000	42,903	57,097
Administration personal service	5,785,841	5,604,698	181,143
Administration expense and equipment	422,589	380,498	42,091
Crime laboratories personal service	3,802,818	3,563,674	239,144
Crime laboratories expense and equipment	909,249	867,282	41,967
Law Enforcement Academy personal service	1,308,227	1,261,896	46,331
Law Enforcement Academy expense and equipment	73,576	66,340	7,236
Fringe benefits personal service	75,883,054	71,756,667	4,126,387
Fringe benefits expense and equipment	6,419,769	5,191,476	1,228,293
Vehicle replacement expense and equipment	4,818,182	4,425,657	392,525
Gasoline expenses	6,313,699	2,958,125	3,355,574
Interoperable system highway	5,000,000	4,782,533	217,467
Interoperable ongoing highway	4,100,000	3,961,052	138,948
Total	\$ 229,638,044	214,131,475	15,506,569

* The lapsed balances include withholdings made at the Governor's request totaling \$4,417,056.

Methodology

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the agency; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objective and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objective, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

To determine whether the MSHP complied with the limitations on the use of highway funds, we reviewed the MSHP calculations of amounts expended from the State Highway Fund for non-highway activities and the amounts expended by the MSHP for highway-related activities from other funding



Missouri State Highway Patrol's Use of Highway Funds Background, Methodology, and Conclusions

sources. We compared the amounts used in the MSHP calculations to expenditures recorded in the state accounting system (SAM II) and other supporting documentation. In addition, we tested certain expenditures to determine if the expenditures were properly recorded.

Conclusions

We concluded the MSHP appears to be in compliance with legal provisions related to the use of Highway Funds. During fiscal year 2016, the MSHP spent approximately \$2,288,000 appropriated from the State Highway Fund for purchases not related to highway activities. This amount included non-highway personal service and fringe benefit expenditures made from the State Highway Fund for the Crime Laboratory Division and Administrative Services Bureau; and some gasoline and expense and equipment expenditures from the Administrative Services Bureau. However, these expenditures were more than offset by personal service, fringe benefit, and expense and equipment expenditures of approximately \$9,188,000 incurred by the Crime Laboratory Division, Training Division, and Technical Services Bureau that were related to highway activities but not paid from the State Highway Fund. As a result, approximately \$6,900,000 more was spent on highway-related activities than was paid from highway funds during fiscal year 2016.



Office of Missouri State Auditor
Nicole Galloway, CPA

**Wright County Collector and
Property Tax System**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Wright County Collector and Property Tax System

Background	Former Wright County Collector Cynthia Cottengim pleaded guilty to forgery charges and resigned from her position in July 2016. Linda Outersky was appointed to the position in August. State law requires an audit be conducted after a vacancy occurs in the office of the county collector.
Unsupported Recorded Transactions and Questionable Transactions	The County Collector recorded property tax payments for herself and her family members totaling \$2,686 that could not be traced to a deposit. The County Collector changed the month/year used for the penalty, commission, and fee calculation in the property tax system for herself and her son, in order to reduce the amount of penalties, commissions, and fees paid. The County Collector or the former Deputy County Collector also changed the month/year for other taxpayers accounts, including a neighbor. These changes resulted in \$3,788 in penalties, commissions, and fees not being charged. The County Collector did not follow the established county procedures to support and document the issuance of a personal property tax waiver to her daughter.
City Commissions	The County Collector was not calculating and withholding commissions from city taxes in compliance with city contracts and had not updated contracts with each of the cities. Commissions totaling \$519 were over withheld and personally retained by the County Collector. The County Collector improperly withheld and personally retained \$174 in commissions on railroad and utility taxes and payments in lieu of taxes collections pertaining to cities.
County Collector's Controls and Procedures	The County Collector did not take steps to oversee day to day operations of her office and did not timely perform her assigned duties. The County Collector's office did not always use the actual date of receipt when recording payments and did not account for the numerical sequence of transaction numbers. The County Collector did not have adequate procedures for receipting, recording, and depositing monies. Bank reconciliations for the main bank account were not complete and accurate. For the partial payment/bankruptcy bank account, the list of liabilities was not complete and accurate, and a running book balance was not maintained. The County Collector transferred incorrect amounts of money between the main bank account and the partial payment/bankruptcy bank account and these errors were not corrected. The County Collector did not always record payments on the partial payment log, agree the log to the manual receipt records, follow up on inactive partial payments, and record tax payments timely once full payment of taxes had been received. The County Collector did not have adequate procedures in place to ensure non-sufficient funds (NSF) checks are collected or to make adjustments to the distribution of tax collections, and NSF checks were not reversed in the property tax system to reflect amounts still owed by taxpayers. Some daily abstracts, deposit information, and bank statements could not be located.

Property Tax System Controls and Procedures

The County Collector's annual settlements were not filed or not filed timely and were not accurate. Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and County Commission did not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. The County Clerk did not prepare the back (delinquent) tax aggregate abstracts timely. The 2015 delinquent real property tax books were not accurate and contained real delinquent property taxes for the 2002 through 2010 totaling \$59,853. The County Collector did not always apply tax payments to the oldest delinquent taxes first, in violation of state law. The County Commission did not review and approve additions to property assessments. The County Commission does not receive the manual forms prepared by the County Assessor's office, the orders of additions prepared by the County Clerk's office, or reports of actual additions made to the property tax system. A comparison of the individual abatements reviewed and approved by the County Clerk and County Commission to the actual changes made in the property tax system by the County Collector was not performed. An independent review of reversal transactions made in the property tax system was not performed.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Wright County Collector and Property Tax System

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
County Collector
Wright County, Missouri

We have audited the County Collector and Property Tax System of Wright County in fulfillment of our duties under Section 29.230, RSMo. Additionally, Section 52.150, RSMo, requires the State Auditor to audit the office of the County Collector after being notified of a vacancy in that office. On July 26, 2016, a vacancy occurred in the office of the County Collector of Wright County. A successor was appointed on August 16, 2016, and sworn into office on August 17, 2016. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2016, to July 26, 2016, and the year ended February 29, 2016. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant property tax functions.
2. Evaluate the county's compliance with certain legal provisions.

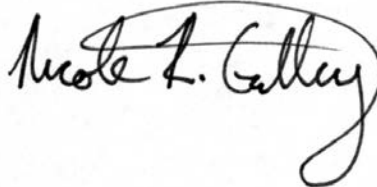
Our methodology included reviewing policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the County Collector and county management and was not subjected to the procedures applied in our audit of the County Collector and Property Tax System.

Section 52.150, RSMo, requires the County Commission to accept the State Auditor's report and, if necessary, to take certain specific actions if the State Auditor finds any monies owed to the county or the former County Collector. For the areas audited, we identified (1) deficiencies in internal controls, and (2) noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector and Property Tax System of Wright County.

An additional report, No. 2016-118, *Wright County*, was issued in November 2016.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Wright County Collector and Property Tax System

Management Advisory Report

State Auditor's Findings

1. Unsupported Recorded Transactions and Questionable Transactions

The County Collector recorded \$2,686 in property tax payments for herself and her family members that could not be traced to a deposit and were unsupported. The County Collector changed the month/year used for the penalty, commissions, and fee calculation in the property tax system for herself and her son. The County Collector or the former Deputy County Collector also changed the month/year of the penalty, commissions, and fee calculation of other taxpayers accounts, including a neighbor. As a result, \$3,788 in penalties, commissions, and fees were not charged. An unsupported non-assessment waiver was issued by the County Collector to her daughter.

On July 26, 2016, Cynthia (Cindy) Cottengim plead guilty to forgery charges and resigned her position as Wright County Collector. The scope of our audit included, but was not necessarily limited to the year ended February 29, 2016, and period March 1, 2016, through July 26, 2016. After the identification of significant concerns regarding tax payments recorded on accounts of the former County Collector and her family members, we applied limited audit procedures to tax payment transactions recorded for the period January 1, 2012, through February 28, 2015, for the purpose of identifying other unsupported recorded transactions and questionable transactions. We referred to Cindy Cottengim throughout the report as the County Collector.

1.1 Unsupported recorded transactions

The County Collector recorded property tax payments in the computerized property tax system for herself and her family members totaling \$2,686 as noted in the following table. These tax payments could not be traced to a deposit, and the County Collector nor her family members could provide canceled checks or other documentation as proof of payment or that the monies were deposited.

Tax Account	Date Recorded	Transaction Number	Tax Year	Type of Tax	Method of Payment Recorded	Amount of Recorded and Undeposited Tax Payments
County Collector's daughter	12/22/2012	201200005258	2012	Personal	Check	\$ 84
County Collector's son	12/22/2012	201200005258	2011	Personal	Check	74
County Collector	4/29/2013	201300002865	2012	Personal	Check	177
County Collector's son	7/1/2013	201300003429	2010*	Real	Check	429
County Collector	1/11/2014	201400001329	2013, 2012	Real and personal	Check	657
County Collector's daughter	3/31/2014	201400002937	2013	Personal	Check	85
County Collector's son	7/7/2014	201400003979	2011*	Real	Check	392
County Collector	2/27/2015	201500001773	2014	Real and personal	Check	111
County Collector	2/27/2015	201500001774	2014	Real	Check	282
County Collector's son	2/27/2015	201500001775	2012*	Real	Check	395
Total						\$ 2,686

* Property eligible to be sold during the tax sale in August of the respective year, due to 3 years of delinquent taxes.



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

After identifying the 2015 transactions recorded in the property tax system, we tried to verify the payments occurred and were deposited. While transactions issued before and after these payments were included in deposit reports and were deposited, deposit reports including these transactions could not be located, and we could not trace these tax payments to deposits. Since we could not trace these recorded tax payments to deposit, we applied the same procedures to recorded tax payments of the County Collector and her children from 2012 to 2014.

We contacted the County Collector on September 1, September 20, and September 27, 2016, requesting she provide us documentation regarding the payments and deposits for these transactions by September 30, 2016. However, she provided us no documentation. In addition, on October 13, 2016, we mailed a letter to the County Collector's son and daughter requesting they provide us documentation regarding the payments for their properties by October 27, 2016. However, they provided us no documentation.

As a result of the County Collector's son's taxes shown as being paid, her son's property was not included in the tax sales conducted in August 2013, 2014, and 2015 for failure to pay property taxes in accordance with state law. Section 140.160.1, RSMo, provides for the sale of real property in August of each year when taxes have not been paid for 3 years.

To ensure all monies received are properly recorded, collected, and deposited, and reduce the risk of loss, theft, or misuse of funds, the tax accounts of the County Collector and her family members should be independently reviewed.

1.2 Property tax system changes

The County Collector changed the month/year used for the penalty, commissions and fee calculation in the property tax system for herself and her son from the current month/year to a previous month/year. As a result, penalties, commissions, and fees paid, if any, were less than the amount due based on the actual date of payment for her delinquent tax account and her son's delinquent tax account. The County Collector or the former Deputy County Collector also changed the month/year of the penalty, commissions, and fee calculation in the property tax system of other taxpayers accounts, including a neighbor, and did not assess penalties, commissions, and fees due on their delinquent taxes.

- The County Collector recorded her 2011 real property taxes totaling \$251 on December 31, 2012, and then changed the month/year of the penalty, commission, and fee calculation to December 2011 in the property tax system. As a result, no penalties, commissions, and fees were paid although \$66 would have been due as of December 31, 2012.



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

- The County Collector recorded her son's 2013 real property taxes totaling \$278 including penalties, commissions, and fees of \$25 in the tax system on July 6, 2016, and then changed the date of the transaction (receipt) in the property tax system to June 30, 2016. However, the month/year in the property tax system used to calculate penalties, commissions, and fees was changed to January 2014 to avoid paying the full amount of \$163 in penalties, commissions, and fees due based upon the June 30, 2016, recording date. As a result, \$138 in penalties, commissions, and fees was not paid based upon the June 30, 2016, date. An additional \$6 in penalties, commissions, and fees would have been due if the July receipt date had been used.
- In October 2015, the County Collector changed the month/year in the property tax system used to calculate penalties, commissions, and fees so her neighbor did not have to pay any penalties, commissions, and fees totaling \$212 on real property taxes due for 2014 (\$77) and 2013 (\$135). The month/year for the 2014 taxes was changed from October 2015 to December 2014 and the month/year for the 2013 taxes was changed from October 2015 to December 2013.
- The former Deputy County Collector wrote an undated note to a taxpayer indicating that the County Collector said there would be no interest charged on her delinquent taxes. The taxpayer subsequently paid her 2014 taxes totaling \$340 by check in September 2016 (after the County Collector's resignation), and attached the note to indicate the interest due was waived. The tax statement included with the check indicated \$495 was due, if payment was made in September 2016, resulting in penalties, commissions, and fees due and not paid of \$155.

We identified numerous other instances where the County Collector or the former Deputy County Collector changed the month/year in the property tax system used to calculate penalties, commission, and fees due. During the period March 1, 2016, through July 26, 2016, and during the year ended February 29, 2016, the County Collector or the former Deputy County Collector changed the month/year in the property tax system used to calculate penalties, commissions, and fees, from 2 months to 58 months prior to the date of the actual payment on 127 tax bills which reduced penalties, commissions, and fees owed by \$3,788. One of these taxpayers was not assessed penalties, commissions, and fees totaling \$555.

Section 139.100.1, RSMo, requires the County Collector to collect a penalty on delinquent taxes owed by a taxpayer as provided for in Section 140.100, RSMo. Section 140.100, RSMo, requires an 18 percent penalty be charged for each year's delinquent tax, in addition to the amount of the delinquent tax. To ensure all penalties, commissions, and fees due are properly charged



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and collected, a report of changes made to the penalty, commissions, and fee calculation dates should be generated and independently reviewed.

1.3 Non-assessment waiver

The County Collector did not follow the established county procedures to support and document the issuance of a non-assessment waiver on July 15, 2016, to her daughter for her 2015 personal property taxes. Documentation was not on file in the offices of the County Assessor or County Collector supporting the issuance of this non-assessment waiver.

The County Collector also issued a non-assessment waiver in August 2015, to her daughter for her 2014 personal taxes, and documentation supported its issuance.

A non-assessment waiver is obtained to aid in licensing a vehicle recently purchased. To receive a non-assessment waiver in Wright County, the County Assessor's office verifies an assessment form was not completed for the applicable tax year and sends a non-assessment form to the County Collector's office. The County Collector's office then verifies and documents the individual does not have any unpaid taxes before issuing a non-assessment waiver. Section 301.025, RSMo, provides for the County Collector to issue a statement that no taxes were assessed or due for vehicles being licensed.

Conclusion

Inadequate controls and the absence of proper oversight identified in MAR finding numbers 1, 2, 3, and 4 allowed unsupported recorded transactions to occur, the tax system to be changed, and an unsupported non-assessment waiver to be issued without detection. As a result, there is no assurance all property taxes and any related penalties, commissions, and fees due were properly assessed, collected, and deposited.

The County Collector's office is a 2-full-time person office, making proper segregation of accounting duties difficult. Due to the lack of oversight in the office, it is even more important for the County Commission and County Clerk to perform the checks and balances provided by state law.

Recommendations

The current County Collector:

- 1.1 And the County Commission work with law enforcement to investigate the unsupported recorded tax payments, seek reimbursement of any unsupported payments, or adjust the property tax system to show current amounts due. The current County Collector should also ensure any real properties qualifying for sale are sold at the next tax sale. The County Clerk and County Commission should ensure an independent review of the tax accounts of the County Collector and her family members is performed and documented.



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

- 1.2 And the County Commission work with law enforcement to investigate the changes made to the property tax system and consider seeking reimbursement of unpaid penalties, commissions, and fees. The County Clerk and County Commission should ensure a report of changes made to the property tax system is generated and an independent review is performed and documented.
- 1.3 And the County Clerk and County Commission should ensure an independent review of non-assessment waivers is performed and documented.

Auditee's Response

- 1.1 *The County Commission has already met with the Wright County Prosecuting Attorney and discussed the findings of the audit and other discrepancies found when bringing the tax books up-to-date and in the day-to-day operations of the County Collector's office. The Wright County Prosecuting Attorney has contacted the Office of the Missouri Attorney General and an attorney from that office has been assigned to the case. The County Clerk and the County Commission will request a copy of the tax receipts and deposits of the County Collector, the Deputy County Collector, and their family members to verify payments.*

The Wright County Collector has already put into place a spreadsheet to investigate any improprieties involving unsupported recorded tax payments. The County Collector discussed real estate properties that will qualify for the next tax sale with the County Assessor and County Commissioners. Taxes shown paid in the computer with no real bank deposit found will be reversed. Those real properties shown to be in arrears will be added to the next tax sale. The County Collector is drafting a new policy regarding the collection of taxes from family members. We no longer collect, write out receipts, or deposit monies from relatives. The Deputy County Collector will process the County Collector's family taxes, and the County Collector will process the Deputy County Collector's family taxes. After payments from family members of the County Collector's office have been collected, copies of checks, money orders, etc. computer receipts, and bank deposits will be provided to the County Clerk and County Commission for their review.

- 1.2 *The County Collector and County Commission will work with law enforcement to investigate the changes made to the property tax system and will be seeking reimbursement of unpaid penalties, commissions, and fees. The County Clerk and the County Commission will ensure a report of changes made to the property tax system is generated and will perform and document a review of that report.*



Wright County Collector and Property Tax System
Management Advisory Report - State Auditor's Findings

- 1.3 *The County Commission and the County Assessor have investigated the non-assessment waiver issued to the daughter of the County Collector and determined that although proper procedure was not followed, the waiver was legitimate. The County Clerk and the County Commission are implementing a review of documentation for all non-assessment waivers in the future.*

2. City Commissions

Commissions withheld by the County Collector from city collections were incorrectly calculated, and some of these commissions were over/under withheld, and personally retained by the County Collector. In addition, written agreements with the cities had not been updated.

2.1 City contracts and related commissions

The County Collector was not calculating and withholding commissions from city taxes in compliance with city contracts and had not updated contracts with each of the cities since 2005 or 2006.

- The County Collector withheld 3 percent instead of 1.5 percent on the City of Norwood current and back (delinquent) taxes for commissions allowed to be personally retained by the County Collector as provided for in the contract. As a result, \$602 was over withheld from the City of Norwood and owed to the city for the period March 1, 2016, through July 26, 2016, and during the year ended February 29, 2016. The County Collector was paid \$519 of the \$602 over withheld personally for the period March 2015 through January 2016, and June 2016, and \$519 is owed back to the city.
- The County Collector did not submit bills for payment of personal commissions due from amounts withheld from cities for February, March, April, May, and July 2016, and as a result the county owes the County Collector \$174 (\$83 - City of Norwood, \$17 - City of Hartville, and \$74 - City of Mansfield).
- The County Collector withheld 3 percent on both current and delinquent taxes of the City of Norwood instead of 2 percent on current taxes and 4 percent on delinquent taxes for commissions to be retained by the county as provided for in the contract. As a result, \$152 was over withheld from the City of Norwood and paid to the county, for the period March 1, 2016, through July 26, 2016, and during the year ended February 29, 2016.
- The County Collector withheld 2 percent on delinquent taxes of the City of Hartville and the City of Mansfield instead of 4 percent on delinquent taxes as provided for in the contract. As a result, \$68 was under withheld from the City of Hartville and \$435 was under withheld from the City of Mansfield and is owed to the county for the period March 1, 2016, through July 26, 2016, and during the year ended February 29, 2016.



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

The County Collector also used the incorrect commission percentages in prior years. However, we did not calculate the amounts over/under withheld.

Section 50.332, RSMo, allows county officials, with the approval of the County Commission, to perform certain tax collection services for cities and charge for such services. In addition, Section 432.070, RSMo, requires all such contracts be in writing. Clear, detailed, and timely written agreements are necessary to ensure all parties are aware of the services to be performed and the compensation to be paid for the services.

2.2 Railroad and utility taxes and payment in lieu of taxes

The County Collector improperly withheld and personally retained commissions on railroad and utility taxes and payments in lieu of taxes (PILT) collections pertaining to cities.

- The County Collector personally retained \$153 withheld in December 2015 from railroad and utility taxes collected from cities. The collection of railroad and utility taxes is part of the County Collector's statutorily required duties. The County Collector should not have received additional compensation for collecting these taxes.

In addition, the County Collector over withheld commissions retained by the county. The County Collector withheld 3 percent on railroad and utility taxes collected for the city of Norwood and 2 percent on railroad and utility taxes collected for the City of Hartville and the City of Mansfield, instead of 1 percent as provided for by Section 151.280, RSMo. As a result, commissions were over withheld from the city of Norwood totaling \$48, the city of Hartville totaling \$9, and the city of Mansfield totaling \$45, and the county owes these monies to the cities.

- The County Collector improperly withheld and personally retained \$21 of commissions on PILT collected in November 2015 pertaining to the city of Mansfield. The County Collector did not withhold commissions on PILT collected for any other cities.

Section 151.180, RSMo, requires the County Collector to collect all railroad taxes, and Section 153.030 (2), RSMo, requires utility taxes to be collected in the same manner as railroad taxes. There is no statutory authority allowing the County Collector to withhold commissions for PILT; and the contract with the city of Mansfield only provides for compensation based on taxes collected. PILT is not a tax.

Recommendations

The current County Collector:

- 2.1 And the County Commission seek reimbursement from the former County Collector for the net amount of commissions over withheld and personally retained, and recalculate city tax commissions withheld and distributed and correct distributions. In addition, the



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

current County Collector should ensure future commission calculations are accurate, and work with the County Commission to obtain current written agreements with the cities for tax collections.

- 2.2 And the County Commission seek reimbursement from the former County Collector for commissions improperly withheld and personally retained, and reimburse the cities for commissions improperly withheld.

Auditee's Response

The County Commission provided the following responses:

- 2.1 *The County Commission will work with the current County Collector to seek reimbursement from the former County Collector for commissions over withheld and personally retained, and recalculate city tax commissions withheld and distributed and correct distributions. In addition, the current County Collector has obtained written agreements with the cities for tax collections and will ensure future commission calculations are accurate.*
- 2.2 *The County Commission will seek reimbursement from the former County Collector for commissions improperly withheld and personally retained, and will recalculate and reimburse the cities for commissions improperly withheld.*

The County Collector provided the following response:

- 2.1 *The cities mentioned will be reimbursed or charged for the incorrect amounts identified. The Deputy County Collector and the County Collector will review taxes collected and commissions withheld for the various cities to ensure they have been done correctly. This information will also be included in a folder given monthly to the County Commission for review. New county/city written agreements have been completed and signed by the proper city and county officials.*

3. County Collector's Controls and Procedures

Significant weaknesses existed in the County Collector's accounting controls and procedures. Property taxes and other monies collected by the County Collector totaled approximately \$7.4 million during the year ended February 29, 2016.

3.1 Receipt dates and transaction number sequence

The County Collector's office did not always use the actual date of receipt when recording payments and did not account for the numerical sequence of transaction (receipt) numbers assigned by the computerized property tax system.

The computerized property tax system sequentially assigns a transaction number for payments received by the County Collector's office. However,



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

the system allows users to backdate payments posted in the system, resulting in transaction numbers being out of order. For example, if a mailed in payment was postmarked with a date prior to the month it was entered into the computer system, the County Collector could backdate the date of receipt in the system to the postmarked month for the payment. The proper procedure for recording these type of payments is to record the payment on the date received in the property tax system, but change the month/year used for the penalty, commission, and fee calculation. This control weakness allowed for possible manipulation of receipt data.

To ensure all monies received are properly recorded and deposited, and reduce the risk of loss, theft, or misuse of funds, consideration should be given to modifying the software program to ensure an audit trail of changes made in the property tax system is maintained and adequate controls are in place to allow the County Collector's office to account for the numerical sequence of transaction numbers.

3.2 Receipting, recording, and depositing

The County Collector did not have adequate procedures for receipting, recording, and depositing monies.

- Manual receipt slips were not issued for bankruptcy payments and some partial payments.
- Manual receipt slips issued for property tax payments collected on behalf of other counties did not indicate the amount collected or the method of payment. These tax payments were also not deposited, but mailed/transmitted to the County Collector's office in the applicable county and documentation of the transmittal was not retained.
- Manual receipt slips were not reconciled with payments posted to the property tax system, the partial payment log, or to transmittals to other counties to ensure all monies received were properly recorded and distributed.
- The County Collector did not always record payments to the correct taxpayer's account and did not make adequate corrections to reflect amounts still owed by taxpayers. For example, in November 2014 a taxpayer made payments for his current year real and personal property taxes; however, the County Collector posted the payments to another taxpayer's real property account and issued a refund check erroneously for the differences in amounts due. The original taxpayer was later notified that his taxes were delinquent and contacted the county and provided proof of payment. The County Collector corrected the original taxpayer's account in May 2015, but did not reverse the payment incorrectly posted to the other taxpayer's account.



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- Monies received were not always deposited intact or timely. For example, the County Collector wrote a personal check for \$303 and recorded this payment for her son's 2013 real property taxes in the property tax system on July 6, 2016, (with the date paid in the system dated as June 30, 2016); however, the check was held and not deposited until July 26, 2016. Other tax payments received on July 6, 2016, were deposited on July 7, 2016. In another example, a partial payment of \$3,500 was received on July 13, 2016, but remained on hand at July 26, 2016, when the County Collector resigned from office.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

3.3 Bank reconciliations

Bank reconciliations prepared by the County Collector for her main bank account were not complete and accurate and a running book balance was not maintained for the partial payment/bankruptcy bank account. In addition, the County Collector did not prepare bank reconciliations for the main bank account from May 2016 to July 2016, and did not prepare the February, March, and April 2016 bank reconciliations until July 2016. Similar timely bank reconciliation preparation issues were occurring with the County Collector's other 2 bank accounts. Also, the County Collector transferred monies between the main bank account and partial payment/bankruptcy bank account in error and did not subsequently correct these errors.

The February 2016 bank reconciliation prepared by the County Collector for the main account was not accurate. Several deposits totaling \$7,147 were included on the computer generated bank reconciliation as uncleared but had previously cleared the bank. Some of these uncleared deposits actually cleared the bank as far back as December 2013. In addition, other credits or reconciling items included on the bank reconciliation were not supported. The inclusion of the cleared deposits and unsupported reconciling items on the bank reconciliation helped conceal the unsupported recorded transactions.

Additionally, the County Collector attempted to transfer \$1,166 of taxes paid in full in 2014 and \$188 of taxes paid in full in 2015 from the partial payment/bankruptcy bank account to the main bank account; however, she transferred these monies from the main bank account to the partial payment/bankruptcy bank account and never corrected the error. As a result \$2,708 is owed to the main account from the partial payment/bankruptcy account. The County Collector made numerous notes on accounting records of other monies maintained in the partial payment/bankruptcy account that needed to be transferred to the main bank account for full payment of tax accounts; however, these monies were never transferred. In addition, partial payments made by credit card were direct deposited into the main account



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and were not always transferred to the partial payment/bankruptcy bank account.

Because book balances and the related accounting records were not accurately maintained, shortages in the main account and partial payment/bankruptcy account could not be readily verified.

The preparation of complete and accurate monthly bank reconciliations and an adequate review of the reconciliations is necessary to ensure all monies have been properly deposited and transferred between accounts, accounting records are in balance, and to identify errors timely. Prompt follow up on differences and correction of errors is necessary to ensure monies are properly handled.

3.4 Liabilities

The list of liabilities prepared by the County Collector for her partial payment/bankruptcy bank account was not complete and accurate. The February 2016 list of liabilities prepared by the County Collector for the partial payment/bankruptcy bank account also included unsupported reconciling items.

Accurate listings of open items are necessary to ensure receipts and disbursements are accounted for properly and to ensure records are in balance and monies are available to satisfy all liabilities.

3.5 Partial payments

The County Collector did not always record payments on the partial payment log, agree the log to the manual receipt records, follow up on inactive partial payments, and record payments of taxes in the property tax system timely once full payment of taxes had been received.

The County Collector accepted partial payments from taxpayers who were unable to pay their tax bills in full. The County Collector held these payments in escrow in the partial payment/bankruptcy bank account until the tax bill was fully paid, whereupon she would record the taxes as paid in the property tax system and transfer the tax amount to the main bank account. According to the partial payment ledger, the County Collector held partial payments of \$9,505 as of February 29, 2016. The County Collector did not update the ledger from April through July 2016 before her resignation.

Of the 39 taxpayers with partial payments held by the County Collector on February 29, 2016, 18 had not had any activity for over a year, with 2 not having any activity since 2012. We noted partial payments for 2 taxpayers could have been applied to taxes due because the full payment had been received. However, these taxes remain listed as delinquent in the tax system.

Without accurate and detailed records for all partial payments collected and balances due, there is little assurance these payments are properly handled



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

and recorded. To reduce the risk of loss, theft, or misuse of funds, a complete and accurate partial payment account ledger should be maintained by the County Collector.

3.6 Non-sufficient funds checks

The County Collector did not have adequate procedures in place to ensure non-sufficient funds (NSF) checks were collected, adjustments were made to the distribution of tax collections, and NSF checks were properly reversed in the property tax system to reflect amounts still owed by taxpayers. As a result, the County Collector's office may be unaware additional tax is due.

The County Collector's office did not always reverse NSF checks in the property tax system to indicate the taxpayer's check was returned and payment was still due from the taxpayer. In addition, adjustments were not made to deduct NSF check amounts from monthly disbursements of tax collections to the county and other political subdivisions. Restitution for NSF checks may not be received until several months after the payment was initially collected and, in some instances, restitution may never be received. As a result, the office needs records to track the repayment status of NSF checks.

Without adequate procedures for the collection and recording of NSF checks, the County Collector's office cannot ensure amounts due from taxpayers are properly tracked.

3.7 County Collector duties

The County Collector did not take steps to oversee day to day operations of her office and did not timely perform her assigned duties, which resulted in a lack of segregation of duties. During our audit (April to July 2016), the County Collector was frequently not at the office.

The County Collector was responsible for performing the duties of receiving, recording, and depositing receipts, reviewing employee deposits, reconciling bank accounts, and preparing monthly settlements and annual settlements. Many of these duties require a physical presence in the office in order to access the property tax system. As noted in section 3.3, bank reconciliations were not performed timely or accurately, and in MAR finding number 4.1, the annual settlement for the tax year ending February 29, 2016, had not been prepared by the County Collector as of her resignation date of July 26, 2016.

The County Collector's absence created staffing issues because sufficient personnel were not present to ensure all duties could be properly performed, appropriately segregated, independently reviewed, and done timely. Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews



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of the accounting and bank records are essential and should include comparing daily receipt activity to deposits.

3.8 Record retention

Some daily abstracts, deposit information, and bank statements could not be located in the County Collector's office. Bank statements were obtained from the bank and transaction (payment) information was obtained from the property tax system vendor.

Retention of records is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, provides that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

Recommendations

The current County Collector:

- 3.1 Work with the computer software vendor to establish controls to account for the numerical sequence of transaction numbers assigned by the computerized property tax system and maintain an audit trail of changes made in the property tax system.
- 3.2 Issue receipt slips for all monies received, record the amount and the method of payment for taxes received on behalf of other counties and document the transmittal of those monies, reconcile manual receipt slips issued to the computerized accounting system, ensure tax payments are accurately recorded and corrections are properly made, and deposit monies intact and timely.
- 3.3 Prepare accurate bank reconciliations, transfer monies between accounts timely, and maintain running book balances. Any errors should be investigated and promptly resolved.
- 3.4 Prepare accurate lists of liabilities monthly for the partial payment/bankruptcy account and agree the reconciled bank balance to the liabilities list. Any differences should be investigated and promptly resolved.
- 3.5 Ensure the partial payment activity and balances are accounted for properly in the partial payment ledger, perform a documented follow up on partial payments with no activity, and apply any taxes paid in full to tax accounts timely.
- 3.6 Ensure a policy is established for the collection of NSF checks and accounting records accurately document the status of accounts involving bad checks.



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

Auditee's Response

3.7 Adequately perform or delegate and oversee the duties of the office, and ensure independent or supervisory reviews of accounting and bank records are performed and documented.

3.8 Retain records in accordance with state law.

3.1 *We have already talked with our software vendor to establish controls to account for the numerical sequence of transaction numbers assigned by the computerized property tax system in order to maintain an audit trail.*

3.2 *Handwritten receipt slips will only be issued for bankruptcy payments made. The County Collector's office no longer allows the taxpayer to make partial payments for personal or real estate taxes, thus no handwritten receipt slips are needed. Other than bankruptcy payments, the only time a handwritten receipt slip will be necessary is during a power outage affecting the computers for a period of longer than 15 minutes. When the outage is over, a computerized receipt slip will be completed immediately and mailed to the payee. We will reevaluate the procedures to collect taxes for other counties. Any mistakes made and found will be corrected immediately. Proper documentation will be made and attached to the daily reconciliation report. All payments received will be deposited to the bank on a daily basis. Deposits delivered in night deposit after 4:30 p.m. may not show deposited until the next business day.*

3.3 *We will prepare accurate bank reconciliations, transfer monies between accounts timely, maintain running book balances, and reconcile cash balances to the list of liabilities. Any differences will be investigated and promptly resolved.*

3.4&

3.5 *The County Collector's office will no longer accept partial payments. As soon as monies from this partial payment/bankruptcy account have been accounted for, it will be closed and partial payments applied to accounts. A new account will be opened to handle monies collected related to bankruptcies and another account will be opened to handle protested taxes received. A spreadsheet will be kept of all bankruptcy or protested monies received. Any differences between the spreadsheet and the bank accounts will be investigated and promptly resolved.*

3.6 *A policy has already been put into place for the collection of NSF and stop payment checks. Beginning immediately, a log will be kept on all checks that are returned to this office, with names, dates, amounts, and adjustments.*



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

3.7 *Supervisory reviews of accounting records are currently performed daily and documented.*

3.8 *Records are being retained in accordance with state law.*

4. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement.

4.1 Annual settlements

The County Collector's annual settlements were not filed or not filed timely and were not accurate. The County Collector did not prepare and file an annual settlement for the year ended February 29, 2016, with the County Commission. The annual settlement for the year ended February 28, 2015, was not filed with the County Commission until June 8, 2015. In addition, this settlement was not complete and accurate.

- Personal property tax abatements totaling \$19,192 recorded on the annual settlement for the 2014 tax year did not agree to the related abatements totaling \$21,285 recorded in the tax system. This resulted in a difference of \$2,093.
- Personal property tax abatements and corresponding assessment penalties totaling \$5,754 recorded on the annual settlement for the 2013 tax year and before did not agree to the related abatements and assessment penalties totaling \$2,095 recorded in the tax system. This resulted in a difference of \$3,659.
- Outlawed 2009 real property taxes for mobile homes totaling \$6,949 and 2009 personal property taxes and related assessment penalties totaling \$9,258 were recorded on the annual settlement; however, the taxes were not removed from the delinquent tax books and the County Commission did not approve outlawing these taxes.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector file complete and accurate annual settlements timely. Section 139.160, RSMo, requires the County Collector to annually settle with the County Commission the accounts of all monies received from taxes and other sources by the first Monday in March.

4.2 Review of property taxes

Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and County Commission did not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

4.3 Back (delinquent) tax aggregate abstracts

The County Clerk did not prepare the back (delinquent) tax aggregate abstracts timely. The 2015 delinquent tax aggregate abstract was not prepared until May 12, 2016. The 2014 delinquent tax aggregate abstract was not prepared until June 19, 2015, and the 2013 delinquent tax aggregate abstract was not prepared until July 8, 2014. The information needed to prepare these aggregate abstracts was available at the beginning of March of 2016, 2015, and 2014.

Section 137.295, RSMo, provides for the County Clerk to prepare these reports and forward them to the Department of Revenue (DOR) and State Tax Commission (STC) upon completion of back tax books.

4.4 Back (delinquent) tax books

The 2015 back (delinquent) real property tax books (2014 and prior tax years) were not accurate and contained delinquent real property taxes for the 2002 through 2010 tax years totaling \$59,853. The County Clerk indicated these taxes were associated with mobile homes and should have been abated. In addition, the County Clerk did not include delinquent real property taxes for the 2002 through 2009 tax years on her aggregate abstracts and the County Collector did not include these delinquent taxes on her annual settlement.

Section 140.030, RSMo, requires the County Collector to prepare delinquent tax listings. Section 140.040, RSMo, requires the County Commission to examine and correct the listings, and Section 140.050, RSMo, requires the County Clerk to make the listings into delinquent tax books and charge the County Collector with the amount of delinquent taxes to be collected.

4.5 Collection of delinquent taxes

The County Collector did not always apply tax payments to the oldest delinquent taxes first, in violation of state law. The property tax system programmer indicated there is a control in the system that requires tax



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

payments be recorded to the oldest delinquent tax account first; however, the County Collector would contact her to request turning off the control. The programmer indicated she would not always remember to turn the control back on after such a request occurred.

Sections 140.110.2 and 140.110.3, RSMo, require payment of personal and real property taxes to be applied to the oldest of any delinquent taxes before accepting payment for current taxes. Without adequate procedures in place to ensure compliance with these statutory requirements, there is an increased risk that personal property taxes could be outlawed and never collected. Additionally, taxpayers may not be aware that real property taxes remain delinquent that could result in increased penalties and interest and could also result in properties being sold at a tax sale.

4.6 Additions and abatements

Controls over property tax additions and abatements were not adequate.

Additions

The County Commission did not review and approve additions to property assessments. The County Commission did not receive the manual forms prepared by the County Assessor's office, the orders of additions prepared by the County Clerk's office, or reports of actual additions made to the property tax system. Therefore, an independent comparison of property assessment changes made by the County Assessor to the related changes in the property tax system made by the County Clerk could not be performed by the County Commission.

Abatements

A comparison of the individual abatements reviewed and approved by the County Clerk and County Commission to the actual changes made in the property tax system by the County Collector was not performed.

Conclusion

The lack of independent verification and approval of changes in the property tax system significantly increases the risk of intentional and unintentional errors and omissions to the property tax books. Because the County Collector is responsible for collecting tax payments, good internal controls require she not have system access rights to be able to alter or delete tax rates, assessed values, and property tax billings. Section 137.260, RSMo, assigns responsibility to the County Clerk for making changes to the tax books under any order made by the County Commission. Section 137.270, RSMo, provides for the County Commission to hear and approve any changes to the tax book. An independent review of approved additions and abatements to changes made to the property tax system would help ensure changes to the property tax system records are proper.

4.7 Reversals

An independent review of reversal transactions made in the property tax system was not performed. The County Collector and the Deputy County Collector would make these transactions to correct errors in posting



Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

payments to the property tax system. During the year ended February 29, 2016, the County Collector and her deputy made 97 reversal transactions totaling \$27,718.

A reversal transaction was only assigned a transaction number when it was performed before the related collection session closed. Reversal transactions occurring after the collection session closed could only be identified if a reversal transaction report was generated from the property tax system. No one generated these reports and an independent review was not performed of these transactions.

To reduce the risk of errors, loss, theft, or misuse of funds and ensure the validity and propriety of all reversals, reversal transactions should be supported by adequate documentation and independently reviewed and approved.

Recommendations

- 4.1 The current County Collector file complete and accurate annual settlements timely.
- 4.2 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 4.3 The County Clerk prepare and timely file delinquent tax aggregate abstracts with the DOR and STC.
- 4.4 The County Clerk and County Commission ensure the delinquent tax books are accurate.
- 4.5 The current County Collector apply all property tax payments to the oldest taxes due as required by state law and work with the computer programmer to ensure the property tax system applies tax payments received to a taxpayer's oldest taxes due as required by state law.
- 4.6 The County Clerk and the County Commission ensure a comparison of approved additions and abateements to changes made in the computer system is performed and restrict access rights so the County Collector cannot makes changes to the tax book system.
- 4.7 The current County Collector ensure an independent documented review of reversals is performed.



Wright County Collector and Property Tax System
Management Advisory Report - State Auditor's Findings

Auditee's Response

The County Collector provided the following responses:

- 4.1 *Every effort will be made to file complete and accurate annual settlements timely.*
- 4.5 *All taxes are presently being applied to the oldest taxes due as required by law, and the office has implemented a program change that only allows the oldest taxes to be collected first.*
- 4.7 *In November 2016, the office will begin printing a report of reversal transactions performed, and an independent review of the transactions will be performed and documented.*

The County Clerk provided the following responses:

- 4.2 *An account book will be maintained with the County Collector. The County Clerk and the County Commission will use the account book to review the accuracy and completeness of the County Collector's annual settlement.*
- 4.3 *The County Clerk will prepare and timely file delinquent tax aggregate abstracts with the DOR and STC.*

The County Clerk and the County Commission provided the following responses:

- 4.4 *The County Clerk and the County Commission will ensure the delinquent tax books are accurate.*
- 4.6 *The County Clerk and the County Commission will ensure a comparison of approved additions and abatements to changes made in the computer system is performed and will work with the computer programmer to restrict access rights so the County Collector cannot make changes to the tax book system.*

Wright County Collector and Property Tax System

Organization and Statistical Information

The County Collector bills and collects property taxes for the county and most local governments. Pursuant to Section 52.015, RSMo, the term for which collectors are elected expires on the first Monday in March of the year in which they are required to make their last final settlement for the tax book collected by them. Annual settlements are to be filed with the county commission for the fiscal year ended February 28 (29).

Cynthia (Cindy) Cottengim served as County Collector until July 26, 2016. Linda Outersky was appointed the Wright County Collector on August 16, 2016, and sworn into office on August 17, 2016.

The County Collector received compensation (including city commissions) of \$16,633 for the period March 1, 2016, to July 26, 2016. During the year ended February 29, 2016, the County Collector received compensation (including city commissions) of \$43,958. Compensation was in accordance with statutory provisions.



Office of Missouri State Auditor
Nicole Galloway, CPA

**Statewide Accounting System
Internal Controls**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Statewide Accounting System Internal Controls

Background	The Statewide Advantage for Missouri (SAM II) system is the state's integrated financial and human resource management system, providing accounting, budgeting, procurement, inventory, and payroll and personnel capabilities for state departments and agencies. The SAM II system processes revenue, expenditure, payroll, transfer, and adjusting transactions.
Terminated Users	The system is vulnerable to the risk of unauthorized or inappropriate transactions being processed because user accounts of terminated employees are not always removed timely. The audit found 18 former employees still had access to the system 30 days or more after terminating employment from the state agency that granted the user access.
Policies and Procedures	Office of Administration (OA) management has not fully established policies and procedures to segregate programmer access to the SAM II system software libraries, including the production environment, or to ensure software libraries are fully protected from unauthorized changes. OA management did not require supervisory review of system logged user actions performed by the SAM II security administrators. OA management has improved documentation of change management policies and procedures by developing test plan standards, including a baseline set of tests to be performed on all changes; however a policy for reversing changes still needs to be fully developed. While contingency planning activities have improved, OA management has not documented the formal assignment of specific responsibilities for maintaining the contingency plans. Similar conditions were noted in prior audit reports.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Statewide Accounting System Internal Controls

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Douglas E. Nelson, Commissioner
Office of Administration
Jefferson City, Missouri

We have audited certain internal controls, including security controls, designed to protect data and information maintained by the Statewide Advantage for Missouri (SAM II) system. This audit was conducted in fulfillment of our duties under Chapter 29, RSMo. The objectives of our audit were to:

1. Evaluate the system's internal controls over significant management and financial functions.
2. Evaluate compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and information system control activities.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management policies and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the SAM II system.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Jeffrey Thelen, CPA, CISA
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Statewide Accounting System Internal Controls

Introduction

Background

The Statewide Advantage for Missouri (SAM II) system is the state's integrated financial and human resource management system, providing accounting, budgeting, procurement, inventory, and payroll and personnel capabilities for state departments and agencies. The SAM II system processes revenue, expenditure, payroll, transfer, and adjusting transactions.

Our audit work focused on the SAM II Financial system and the SAM II Human Resources (HR) system. The Financial system, used for purchasing, payment, and revenue processing, was implemented in July 1999. The HR system, used to maintain and process employment and payroll information, was implemented in phases between November 2000 and June 2001. Users are granted access rights to these systems to process transactions or to have inquiry-only access. As of June 2016, there were 3,160 Financial system user accounts and 1,850 HR system user accounts.

The SAM II system is managed by the Office of Administration (OA). The OA Division of Accounting is responsible for the Financial and HR systems, including maintaining policies and procedures for use of the systems. Technical support is provided by the systems development and programming staff under the OA Information Technology Services Division (ITSD) and the software vendor that customized the SAM II system for the state. OA security administrators are responsible for processing security requests to add, change, or remove user access to the Financial and HR systems.

Changes to the functionality of the SAM II system are processed by ITSD programmers with access to software libraries that maintain source code. Source code is the written programming code used to produce an executable program in the SAM II system. Software libraries are maintained in separate environments for programs being developed or modified, programs being tested by users, and programs approved for use.

According to accepted standards, security controls are the management, operational, and technical safeguards or countermeasures prescribed for an information system to protect the confidentiality, integrity, and availability of the system and its information. Confidentiality refers to preserving authorized restrictions on information access and disclosure, including the means for protecting personal privacy and proprietary information. Integrity relates to guarding against improper information modification or destruction, and availability ensures timely and reliable access to and use of information.

Scope and Methodology

The scope of our audit included internal controls established and managed by the OA, policies and procedures, and other management functions and compliance issues in place during the year ended June 30, 2016. Our scope



Statewide Accounting System Internal Controls Introduction

did not include internal controls that are the responsibility of the management of agencies using the SAM II system.

Our methodology included reviewing written policies and procedures, interviewing various OA personnel, and performing testing. We obtained an understanding of the applicable controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violation of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We obtained data files from the SAM II system of user accounts having access to the HR and Financial systems as of June 2016. To ensure completeness of the data, we grouped the accounts by agency and compared the results to a separate list of state agencies whose users should have access to the systems. We reviewed the approval rights of the Financial system user accounts to determine if each user was restricted from approving transactions the user had also entered in the system. We did not find any instances where a user could approve transactions the user had also entered in the system.

We obtained employment records of all state employees from the SAM II system. We matched these records to user accounts with SAM II system access to determine if any terminated employees had active user accounts. We provided OA officials a list of all terminated employees we found who had active access to the SAM II system.

Although we used computer-processed data from the SAM II system for our audit work, we did not rely on the results of any processes performed by this system in arriving at our conclusions. Our conclusions were based on our review of the issues specific to the audit objectives.

We based our evaluation on accepted state, federal, and international standards and best practices related to information technology security controls from the following sources:

- Missouri Adaptive Enterprise Architecture (MAEA)
- National Institute of Standards and Technology (NIST)
- Government Accountability Office (GAO)
- ISACA (previously known as the Information Systems Audit and Control Association)

Statewide Accounting System Internal Controls

Management Advisory Report

State Auditor's Findings

1. Terminated Users

The Statewide Advantage for Missouri (SAM II) system is vulnerable to the risk of unauthorized or inappropriate transactions being processed because user accounts of terminated employees are not always removed timely.

Office of Administration (OA) management could reduce the risk of unauthorized access by increasing efforts to identify user accounts assigned to former employees and by providing periodic reminders to agency security coordinators of the importance of promptly removing user access assigned to former employees. We found 18 former employees still had access to the system 30 days or more after terminating employment from the state agency that had granted the user access.

According to the Missouri Adaptive Enterprise Architecture (MAEA),¹ agencies must have a procedure in place for the timely notification of administrators when a user no longer needs access. SAM II policies and procedures place the responsibility for identification of accounts belonging to terminated and transferred users with the agency employing the users. Agencies are responsible for determining who is given access to the system and for ensuring all individuals who have access still need the access. When a user no longer needs access, SAM II procedures require agency security coordinators to submit a form to the OA security administrator requesting removal of the user's access to the system.

Although agencies are responsible for submitting requests to add, change, or remove user access rights, OA management is ultimately responsible for security of the system. The OA has documented procedures in place for the SAM II security administrators to regularly check for SAM II user IDs associated with terminated employees and report any findings to agency security coordinators. In addition, the OA occasionally provides user security reports to agencies listing SAM II users and access levels for use by agency security coordinators in reviewing user access. However, these controls are not consistently effective since terminated employees continued to have active SAM II access.

Without effective procedures to remove access, terminated employees could continue to have access to critical or sensitive resources or have opportunities to sabotage or otherwise impair entity operations or assets, according to the Government Accountability Office (GAO).

¹ The Enterprise Architecture includes standards, policies and guidelines established by OA management. The Enterprise Architecture is made up of several information technology domains, including domains dedicated to security and information. The domains define the principles needed to help ensure the appropriate level of protection for the state's information and technology assets.



Statewide Accounting System Internal Controls Management Advisory Report - State Auditor's Findings

A similar condition was noted in our prior two audit reports.

Recommendations

The OA periodically review user accounts to ensure access of terminated or transferred employees is removed and provide more frequent reminders to agency security coordinators of the importance of promptly removing user access assigned to former employees.

Auditee's Response

The OA reviews user account access on a regular basis. The OA will continue oversight by providing employee access reports to all agencies on a monthly basis. Additionally, the OA has already implemented an improved policy of immediately inactivating users in SAM II Financial and SAM II HR once the individual appears on the termination report. This will remove the ability for activity to occur until the user is officially deleted.

2. Policies and Procedures

While OA management has improved documentation of certain policies and procedures, additional effort is needed to fully develop policies and procedures for SAM II system administration. Access to software libraries has not been appropriately segregated, a documented review of security administrator actions is not performed, a policy for the reversal of programming changes has not been established, and the responsibility for maintaining contingency plans has not been formally documented. The resulting internal control weaknesses leave the system vulnerable to unauthorized changes being made, inappropriate access being granted, and less assurance the contingency plans will remain current.

2.1 Programmer segregation of duties

OA management has not fully established policies and procedures to segregate programmer access to the SAM II system software libraries, including the production environment, or to ensure software libraries are fully protected from unauthorized changes.

Any change to an information system can potentially have significant effects on the overall security of the system, according to accepted standards. As a result, organizations should define, document, approve, and enforce access restrictions associated with changes to the information system.

Programmers responsible for development and maintenance of source code are allowed to move source code into the production environment. Management review procedures are not sufficient to ensure the source code placed in production is the approved version. As a result, a programmer can modify source code or insert new code without detection. According to an OA official, the agency does not have sufficient personnel to segregate the library management functions from programmers and instead relies on supervisory review. However, supervisory reviews are not documented to provide evidence of the review's effectiveness.



Statewide Accounting System Internal Controls Management Advisory Report - State Auditor's Findings

Programmers should not be allowed to independently develop, test, and move program changes into production, according to the GAO. In addition, access to software libraries should be limited and the movement of programs and data among libraries should be controlled by personnel independent of both the user and the programming staff. Organizations should also conduct periodic audits of information system changes to determine whether unauthorized changes have occurred, according to accepted standards.

Inadequately segregated duties increase the risk that erroneous or fraudulent transactions could be processed, improper program changes implemented, or computer resources damaged or destroyed, according to the GAO. Management can reduce the risk of unauthorized changes and help ensure the appropriateness of changes by performing and documenting supervisory review of programmer actions if adequate resources are not available to properly segregate duties.

2.2 Security administrator supervision

OA management did not require supervisory review of system logged user actions performed by the SAM II security administrators.

As part of their job responsibilities, the SAM II security administrators have the ability to create and modify user accounts. OA policy requires approval of a security request form by agency personnel before a user account is created. The security administrators are responsible for ensuring the security request forms received have been approved by appropriate agency personnel. However, a reconciliation of the approved security request forms received to user account changes is not performed. Changes made by the security administrators are logged, but OA management said the logs are not reviewed regularly. According to OA officials, the agency does not have sufficient personnel to segregate duties or to regularly review changes made by security administrators.

Routinely monitoring security administrator actions can help identify significant problems and deter employees from inappropriate activities.

2.3 Change management

OA management has improved documentation of change management policies and procedures by developing test plan standards, including a baseline set of tests to be performed on all changes; however a policy for reversing changes still needs to be fully developed.

According to the MAEA, change management defines the roles, processes, standards, and deployment of software through the development, test, and production environments. Change management is necessary to control versions, scope, and development of software and provides accountability and responsibility for changes. Good change management provides strict



Statewide Accounting System Internal Controls Management Advisory Report - State Auditor's Findings

control over the implementation of system changes and thus minimizes corruption to information systems, according to the GAO.

Change control procedures did not require programming staff to document procedures for the reversal of a change to the SAM II system if the implementation did not operate as intended. Accepted standards require that, as part of the implementation plan for a proposed change, consideration should be given to how the change would be reversed in the event of a system error or other unforeseen complication. OA management stated written procedures have not been developed because procedures are dependent on the specific change being implemented.

Failure to document reversal procedures for proposed changes leaves the system at risk of extended failure and outages if a change fails to produce the expected results and necessary resources to reverse the change are not readily available.

2.4 Contingency planning

OA management has improved documentation of contingency plans and related processes by (1) performing and maintaining documentation of a risk assessment, (2) completing the development of a comprehensive disaster recovery plan, and (3) ensuring the results of contingency plan tests are properly documented and processed. However, OA management has not documented specific responsibilities for oversight and maintenance of the SAM II contingency plans.

Contingency plans establish policies, procedures, and technical measures that can enable a system to be recovered quickly and effectively following a service disruption or disaster, according to the MAEA. According to accepted standards, contingency plans should be reviewed for accuracy and completeness at least annually or whenever significant changes occur to any element of the plan. While responsibility for maintaining the contingency plans has been informally assigned, OA management has not documented the formal assignment of specific responsibilities for maintaining the contingency plans.

Without a formal designation of staff responsible for oversight and maintenance, there is increased risk that contingency plans and related policies and procedures may not remain current, potentially impacting the ability to promptly restore the system and related business functions.

Similar conditions previously reported

Similar conditions to sections 2.1, 2.2, and 2.3 were noted in our prior 2 audit reports, and a similar condition to section 2.4 was noted in our prior audit report.



Statewide Accounting System Internal Controls
Management Advisory Report - State Auditor's Findings

Recommendations

The OA:

- 2.1 Restrict programmers from moving source code to the production environment. If resource constraints prohibit segregation of duties, sufficient supervisory review of programmer actions should be performed.
- 2.2 Perform periodic supervisory reviews of defined actions performed by security administrators.
- 2.3 Continue to enhance change management policies and procedures by documenting procedures for the reversal of changes to the SAM II system if the implementation did not operate as intended.
- 2.4 Formally assign responsibilities for oversight and maintenance of the contingency plan to appropriate personnel.

Auditee's Response

- 2.1 *The OA recognizes that segregation of programmer duties is desired. However, resource constraints prohibit complete segregation of duties. The OA recognizes that periodic supervisory audits of system changes are a best practice. We will increase supervisory review to determine whether unauthorized changes have occurred, to the extent that resources are available.*
- 2.2 *Departments request security to be set up and changes as needed. The OA reviews those requests and, when acceptable, establishes the requested security settings. Each department receives a summary of its users' security for review. The OA will ensure that each month, these reports are received. The OA believes this separation of duties is sufficient to ensure proper actions. However, the OA will periodically conduct a random sample of security actions to provide additional oversight.*
- 2.3 *The OA will attempt to document a generic policy for reversing changes to SAM II.*
- 2.4 *The OA will update its existing SAM II disaster recovery plan to assign responsibilities for oversight and maintenance of the plan.*



Office of Missouri State Auditor
Nicole Galloway, CPA

**Twenty-First Judicial Circuit
City of Northwoods
Municipal Division**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the 21st Judicial Circuit City of Northwoods Municipal Division

Background	An audit of the Northwoods municipal court was initiated in association with a petition audit of the city. In April 2016, the Board of Aldermen voted to dissolve its municipal division and in June 2016, entered into a contract with the City of St. Ann. The court transferred all court, jail, and dispatching operations to the City of St. Ann. Municipal court cases for the cities of Northwoods, Vinita Park, and Charlack are handled through the St. Ann Municipal Court in what is known as the Consolidated Municipal Courts. The City of Northwoods continues to operate a police department. The municipal division was still in operation during the audit period, which is reflected in the audit findings.
Bond Account	Bank reconciliations for the bond account had not been completed since 2008 and a monthly list of open bonds was not prepared. The city's Court Clerk did not always refund bond money timely.
Municipal Division Procedures	Controls and procedures over receipting and depositing monies were not sufficient. The Prosecuting Attorney did not sign 40 of 52 (77 percent) tickets we tested. The city's Court Clerk did not ensure plea agreements were signed. The municipal division did not always assess fines and court costs in accordance with the Violation Bureau schedule. The municipal division regularly collected Crime Victim Compensation and Law Enforcement Training fees on dismissed cases, in violation of state law.
Booking Fees	The police department collected a \$25 booking fee; however, state law does not include provisions to collect such a fee.

Due to the nature of this report, no overall rating has been provided.

Twenty-First Judicial Circuit

City of Northwoods Municipal Division

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Presiding Judge
Twenty-First Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Northwoods, Missouri

We have audited certain operations of the City of Northwoods Municipal Division of the Twenty-First Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's and city's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

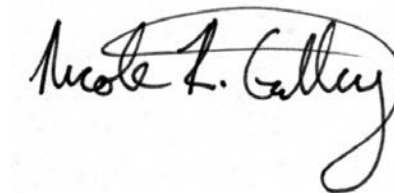
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing certain external parties; and testing selected transactions. Before audit fieldwork began, the City of Northwoods dissolved the municipal division and entered into a contract with the City of St. Ann for those services. We were unable to interview former employees of the municipal division to obtain an understanding of the internal controls that are significant within the context of the audit objectives. This limitation on the scope of our audit, affected our ability to assess whether internal controls that were in place had been properly designed and implemented. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

Except as discussed in the second paragraph, we conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's and Consolidated Municipal Court's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) no noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Northwoods Municipal Division of the Twenty-First Judicial Circuit.

A petition audit of the City of Northwoods, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	David Olson
Audit Staff:	Morgan Alexander
	Margie Freeman, CPA

Twenty-First Judicial Circuit

City of Northwoods Municipal Division

Management Advisory Report - State Auditor's Findings

Background

The City of Northwoods dissolved its municipal division in part because city officials could not find a replacement employee after the Court Clerk left the city's employment in February 2016. City officials also believed contracting for these services would be more cost effective. In April 2016, the Board of Aldermen voted to discontinue the municipal division and enter into a contract with the City of St. Ann.

In June 2016, the City of Northwoods transferred all court, jail, and dispatching operations to the City of St. Ann. The Presiding Judge of St. Louis County approved the administrative handling of various cities' (Northwoods, Vinita Park, and Charlack) municipal court cases through the St. Ann Municipal Court. The consolidated court operation is known as the Consolidated Municipal Courts (CMC). The CMC uses an automated case management system known as the Justice Information System (JIS) provided by the Office of State Courts Administrator. The City of Northwoods continues to operate a police department.

The municipal division was still in operation during the audit period; but had ceased operations prior to our audit fieldwork. We worked primarily with CMC and City of Northwoods personnel in conducting audit work. The findings presented in the remainder of this report identify important concerns and relevant corrective actions. However, because the municipal division has been dissolved, recommendations are not provided.

1. Bond Account

The municipal division had not performed bond account bank reconciliations for a significant period of time or prepared monthly lists of open bonds. Also, some bond refunds were not made timely.

1.1 Bank reconciliations

Our review of the municipal division's accounting records indicated no reconciliations had been completed since 2008 and a monthly list of open bonds was not prepared. The CMC Court Administrator has completed all bank reconciliations and open bonds reports through October 2016. The October 31, 2016, list of open bonds totaled \$23,367 and the reconciled bank account balance totaled \$24,261, resulting in an unidentified balance of \$894. In addition, in November 2015 the bank account had a negative ending balance of approximately \$334, which resulted in \$115 of overdraft fees. Because the municipal division did not properly monitor the bank account, checks issued to the city's general account caused the negative account balance and the overdrafts to occur.

Missouri Supreme Court Operating Rule No. 4.59 (Uniform Record Keeping System) requires reconciling all bank balances and open items records at least monthly. Additionally, Missouri Supreme Court Operating Rule No. 4.56 requires the municipal division to prepare a record of open items monthly. Timely monthly bank reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected and corrected timely. Also, monthly lists of open



Twenty-First Judicial Circuit
City of Northwoods Municipal Division
Management Advisory Report - State Auditor's Findings

bonds are necessary to ensure all bond dispositions have been properly recorded. Reconciling open bonds to the reconciled bank account balance is necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

1.2 Bond refunds

The city's Court Clerk did not always refund bond money timely. We reviewed 15 bonds and identified bonds for \$170 and \$250 that should have been refunded in April 2013 and September 2015, respectively; but were not refunded until October 2016.

To ensure proper accounting for bond monies and to reduce the risk of loss, theft, or misuse of bond monies, bonds should be refunded in a timely manner.

2. Municipal Division Procedures

Several weaknesses were found with municipal division procedures.

2.1 Receipting and depositing procedures

Controls and procedures over receipting and depositing monies were not sufficient. As a result, there is less assurance all monies received were deposited. The court did not retain copies of deposit slips for fines and costs deposited into the city's general account, and bank statements did not include images of the deposit slips. As a result, a comparison of the composition of receipts to the composition of deposits could not be performed. Manual receipt slips were not always issued in numerical sequence and original copies of some voided receipt slips were not retained.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies will go undetected.

2.2 Prosecutor approval

The Prosecuting Attorney did not sign 40 of 52 (77 percent) tickets we tested. The CMC Court Administrator indicated that the current Prosecuting Attorney is now signing all City of Northwoods tickets.

Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the municipal division. The Prosecuting Attorney's review, documented with his signature, is needed to provide assurance proper cases and charges are filed with the municipal division.

2.3 Amendments and plea agreements

The city's Court Clerk did not ensure plea agreements were signed. When an alternative arrangement is agreed upon between the defendant and the Prosecuting Attorney, a plea agreement signed by both parties is necessary to document the amended charges and fines and court costs. For all 8 cases reviewed that had plea agreements, the case file contained an unsigned plea agreement.



Twenty-First Judicial Circuit
City of Northwoods Municipal Division
Management Advisory Report - State Auditor's Findings

Signed agreements are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Procedures should be established to ensure all plea agreements are signed by the Prosecuting Attorney and the defendant.

2.4 Fines and court costs

The municipal division did not always assess fines and court costs in accordance with the Violation Bureau (VB) schedule. The VB schedule shows the standard fines and court costs for violations payable through the VB prior to the court date. In addition, the city's Court Clerk did not ensure there was adequate documentation to explain reasons for assessing other than standard fines and court costs.

In 4 of 31 (13 percent) cases reviewed, fines and costs amounts recorded in the system did not agree with the VB schedule or a signed order from the judge. For example, a fine for speeding that was originally a minimum of \$150 was amended to \$65. Documentation to support the change in amount was retained in the case file but the municipal judge did not sign it.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to ensure standard fines and court costs are collected through the VB, and any changes in assessed fines and court costs are approved by the Municipal Judge and properly recorded in the case management system.

2.5 Dismissed cases

The municipal division regularly collected Crime Victim Compensation and Law Enforcement Training fees on dismissed cases, in violation of state law. For cases that were dismissed on payment of costs, the defendant was not assessed a fine and no record of conviction was entered.

Generally, courts are prohibited from collecting surcharges and fees in any criminal proceeding when the charges have been dismissed by the court under various statutory provisions including Domestic Violence Shelter fees under Section 488.607, RSMo, Law Enforcement Training surcharges under Section 488.5336.1, RSMo, and Crime Victims' Compensation under Section 595.045.1, RSMo.

3. Booking Fees

The police department collected a \$25 booking fee; however, state law does not include provisions to collect such a fee. The police department collected \$1,700 in booking fees for the year ended December 31, 2015. The police department no longer charges these fees. All individuals are now booked at St. Ann.

The law does not provide for fees on individuals incarcerated on crimes that have not been adjudicated. Most costs associated with the criminal justice system are only paid if the individual is found guilty. The city is not providing a service but rather is doing what it is required to do by law,



Twenty-First Judicial Circuit
City of Northwoods Municipal Division
Management Advisory Report - State Auditor's Findings

performing the administrative task of handling individuals booked by the police department.

Twenty-First Judicial Circuit

City of Northwoods Municipal Division

Organization and Statistical Information

The City of Northwoods Municipal Division was in the Twenty-First Judicial Circuit, which consists of St. Louis County. The Honorable Maura B. McShane serves as Presiding Judge.

A municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and court costs are collected at times other than during court and transmitted to the city treasury. Prior to dissolving, the municipal division utilized the Delores McCombs and Associates case management system. Court services are now handled by the Consolidated Municipal Courts (CMC), which uses an automated case management system known as the Justice Information System (JIS) provided by the Office of State Courts Administrator.

Personnel

At December 31, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	Raphael Morris
Court Clerk	Ericka Jones
Prosecuting Attorney	Lee Goodman

Financial and Caseload Information

	Year Ended December 31, 2015
Receipts	\$371,087
Number of cases filed	3,508

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	\$ 12.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Inmate Security (Biometric Verification)	2.00
Court Automation Fee ¹	7.00
Domestic Violence Fee ¹	2.00
Booking Fee ²	25.00

¹ This fee was added after the city transferred court operations to the CMC.

² The fee was no longer charged after city transferred court operations to the CMC.

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at <https://ago.mo.gov/docs/default-source/public->



Twenty-First Judicial Circuit
City of Northwoods Municipal Division
Organization and Statistical Information

safety/2015agencyreports.pdf?sfvrsn=2. The following table presents data excerpted from the AGO report for the City of Northwoods Police Department. In addition, see information at: <https://ago.mo.gov/home/vehicle-stops-report/2015-executive-summary>, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

Racial Profiling Data/2015 - Northwoods Police Department - Population 3,421¹

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	705	223	462	6	6	0	8
Searches	5	0	5	0	0	0	0
Arrests	9	0	9	0	0	0	0
Statewide Population %	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population %	N/A	5.12	93.28	0.20	0.20	0.20	0.99
Disparity Index ²	N/A	6.18	0.70	4.16	4.16	0.00	1.14
Search Rate ³	0.71	0.00	1.08	0.00	0.00	#Num	0.00
Contraband hit rate ⁴	0.00	#Num	0.00	#Num	#Num	#Num	#Num
Arrest rate ⁵	1.28	0.00	1.95	0.00	0.00	#Num	0.00

¹ Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes persons of mixed race and unknown race.

² Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.

³ Search rate = (searches / stops) X 100

⁴ Contraband hit rate = (searches with contraband found / total searches) X 100

⁵ Arrest rate = (arrests / stops) X 100

#Num! indicates zero denominator



Office of Missouri State Auditor
Nicole Galloway, CPA

Polk County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Polk County

Property Tax System	The county has not adequately restricted property tax system access. Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Collector improperly included \$5,233 in County Collector fees and \$626 in Proposition C commissions collected during the year ended February 29, 2016, when calculating the penalty distribution. As a result, the County Collector distributed \$1,674 and \$2,511 to the Tax Maintenance Fund and County Employees' Retirement Fund respectively, that should have been distributed to the General Revenue Fund.
Sheriff's Controls and Procedures	The Sheriff has not established adequate controls over seized property. The log of seized property maintained is not complete or accurate. A physical inventory of seized property has not been performed since at least 2004. Neither the county nor the Sheriff solicited bids for prisoner meal supplies and medical services. The Sheriff has not established adequate password controls to reduce the risk of unauthorized access to Sheriff's office computers and data.
Tax Maintenance Fund	Some disbursements from the county's Tax Maintenance Fund were not in compliance with uses allowed by state law and/or seemed unreasonable. Some purchases were personal expenses and not essential to the administration or operation of the County Collector's office.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Polk County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Polk County

We have audited certain operations of Polk County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock, and Associates, LLC, Certified Public Accountants, was engaged to audit the financial statements of Polk County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

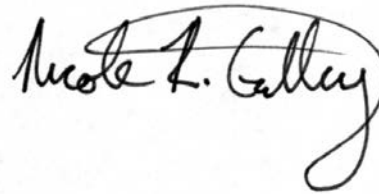
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Polk County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Heather R. Stiles, MBA, CPA, CFE
In-Charge Auditor:	Keisha Williams
Audit Staff:	Tina Disney, M.Acct.
	Michelle Pummill
	Nancy McDowell

Polk County

Management Advisory Report

State Auditor's Findings

1. Property Tax System

Controls and procedures over the property tax system need improvement. The County Collector's office processed property taxes and other monies totaling approximately \$15.8 million for the year ended February 29, 2016.

1.1 Computer access

The county has not adequately restricted property tax system access. The County Clerk enters the property tax levies into the property tax system using the County Collector's access rights to the property tax system. Because the County Collector is responsible for collecting tax payments, good internal controls require the County Collector not have access rights allowing alteration or deletion of tax rates.

Without adequate segregation of incompatible duties, there is an increased risk of loss, theft, misuse, or errors occurring and going undetected. In addition, due to the lack of oversight of the County Collector's office activities (as explained in the following sections), any erroneous or improper changes made in the system by the County Collector could go undetected.

1.2 Review of property taxes

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not include yearly totals in the account book summarizing the monthly property tax transactions. In addition, the County Clerk and County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

A similar condition was noted in our prior audit report.

1.3 Penalty distributions

The County Collector improperly included \$5,233 in County Collector fees and \$626 in Proposition C commissions collected during the year ended February 29, 2016, when calculating the penalty distribution. Section 52.290, RSMo, allows for the collection of a 7 percent penalty on delinquent taxes and provides for the penalty to be distributed as follows: two-sevenths to the General Revenue Fund, two-sevenths to the Tax Maintenance Fund,



Polk County Management Advisory Report - State Auditor's Findings

and three-sevenths to the County Employees' Retirement Fund. Because these fees and commissions were combined with the 7 percent penalty when determining the penalty distribution, and not distributed directly to the General Revenue Fund, the County Collector distributed \$1,674 and \$2,511 to the Tax Maintenance Fund and County Employees' Retirement Fund respectively, that should have been distributed to the General Revenue Fund.

The penalty authorized under Section 52.290, RSMo, does not include the County Collector fees and Proposition C commissions. Thus, the County Collector fees and Proposition C commissions should not be included with the penalty amount when calculating and making the penalty distribution.

Recommendations

- 1.1 The County Collector work with the County Commission to ensure property tax system access is limited to only what is needed for users to perform their job duties and responsibilities.
- 1.2 The County Clerk determine yearly totals in the account book and the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 1.3 The County Collector ensure amounts disbursed are calculated accurately and correct the inaccurate distributions.

Auditee's Response

The County Clerk and County Commission provided the following responses:

- 1.1 *The County Clerk is not linked to the property tax system software in her office. The County Clerk uses the County Collector's terminal to enter the certified levy amounts into the property tax system. The County Clerk spoke with the software company regarding limiting access in the tax system to only what is needed for users to perform their job duties and responsibilities. Effective August 10, 2016, the County Clerk was given her own password to enter levies into the tax system. The County Collector no longer has access to enter or maintain tax levy amounts.*
- 1.2 *The County Clerk has been keeping a spreadsheet of the financial activities of the County Collector; however, it did not contain all of the information necessary to assist with verifying the accuracy of the County Collector's annual settlement. The County Clerk obtained and implemented a spreadsheet utilized in a different county to summarize monthly transactions. This spreadsheet will be used to verify the accuracy and completeness of the County Collector's annual settlements going forward.*



Polk County
Management Advisory Report - State Auditor's Findings

The County Collector provided the following responses:

- 1.1 *The County Clerk has exclusive access to enter tax levies into the property tax system beginning in August 2016. 2016 tax levies were entered solely by the County Clerk via password access. The County Clerk has always entered the levies, even prior to restricted access; certified them, and provided the documented levies to the County Collector. While the County Collector has never accessed that program, now the assurance is provided to prevent that possibility and remove all suspicion of a risk of loss, theft, misuse, or error.*
- 1.3 *This reflects an error in software programming, not a deliberate or even calculated error on the part of the County Collector. Written instructions to correct the calculation were sent to the software developer and the County Collector has received confirmation that the error in the software program has been corrected. Corrections have been calculated to reimburse the General Revenue Fund and the Tax Maintenance Fund portion was disbursed to the General Revenue Fund on November 15, 2016. The amounts from County Employees' Retirement Fund will be corrected with the next monthly disbursement. The County Collector has also taken the initiative to retrace previous years' disbursements to determine if there are similar errors. Those amounts will also be taken into account in the next disbursement.*

2. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office collected monies for civil fees, concealed carry weapon (CCW) permits, jail phone and commissary commissions, bonds, and other miscellaneous receipts totaling approximately \$248,000 for the year ended December 31, 2015.

2.1 Seized property

The Sheriff has not established adequate controls over seized property. The log of seized property maintained is not complete or accurate. The log is not updated timely, does not include all items collected as seized property, and includes previously disposed of items. Also, a physical inventory of seized property has not been performed since at least 2004. Our review of the seized property log identified the following concerns:

- Seized property associated with 2 cases continued to be included on the log after the property was disposed of or turned over to another law enforcement agency.
- The log included property that had not been seized. The Sheriff's case narrative report indicated the property should have been seized but that did not occur.



Polk County
Management Advisory Report - State Auditor's Findings

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the property. Complete and accurate inventory records should be maintained, and periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly.

2.2 Bidding

Neither the county nor the Sheriff solicited bids for prisoner meal supplies and medical services costing approximately \$64,500 and \$39,700, respectively, during the year ended December 31, 2015.

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest prices and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

2.3 User passwords

The Sheriff has not established adequate password controls to reduce the risk of unauthorized access to Sheriff's office computers and data. Employees are not required to change passwords periodically or have a minimum number of characters in the passwords.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords are not required to be periodically changed or contain a minimum number of characters, there is less assurance they are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique, confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

Similar conditions previously reported Recommendations

A similar condition to section 2.1 was noted in our prior audit report, and a similar condition to section 2.2 was noted in our 2 prior audit reports.

The Sheriff:

- 2.1 Ensure a complete and accurate seized property inventory record is maintained, and a periodic inventory is conducted and reconciled to the records, and investigate any differences.
- 2.2 And the County Commission ensure bids are solicited for all major purchases in accordance with state law.



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- 2.3 Require employees to periodically change passwords that contain a minimum number of characters to prevent unauthorized access to computers and data.

Auditee's Response

The Sheriff provided the following responses:

- 2.1 *I have talked with the Sheriff-Elect and recommended to him to have a second officer be assigned to evidence. This should create somewhat of a checks and balance system. I have also recommended to him to do a periodic inventory to ensure complete and accurate records are maintained.*

- 2.2 *We are currently in the process of creating a specific formula to cover our needs to buy food for the jail. We have not found a supplier that will provide a contract locking in certain prices. At a minimum we will begin documenting our price comparison when purchasing groceries. The County Clerk has contacted other counties to inquire about their process to bid on food for the jail, however, we have not received any information that has been helpful. This information will be forwarded to the Sheriff-Elect.*

Additionally, I have recommended to the Sheriff-Elect to look into other companies that provide medical services for the jail. We have not found any companies in the past that provide the same level of service for the price we currently pay.

- 2.3 *All computer terminals are in secured areas and no unauthorized person is allowed in those areas without an authorized person accompanying them. As I will only be the Sheriff until the end of December 2016, I have passed this recommendation on to the Sheriff-Elect to implement a system for changing passwords.*

The County Commission provided the following response:

- 2.2 *We will make every effort to work with the Sheriff-Elect to solicit bids for prisoner meals and medical services as outlined in Section 50.660, RSMo.*

3. Tax Maintenance Fund

We identified significant concerns with the disbursements made from Tax Maintenance Fund (TMF).

The County Collector collects a penalty of 7 percent of the total charged on delinquent taxes, and two-sevenths of this penalty is required to be paid into the TMF of the county to be used for additional administration and operation costs related to the office of the County Collector. During the year ended December 31, 2015, disbursements from the TMF totaled \$36,563.



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Some disbursements from the county's TMF were not in compliance with uses allowed by state law and/or seemed unreasonable. Some purchases were personal expenses and not essential to the administration or operation of the County Collector's office. Concerns noted during our review included:

- The County Collector transferred \$7,000 in November 2015 from the TMF to the General Revenue Fund. The supporting documentation for this transfer indicated this was a "GIFT." Some operating or administration costs during the year ended December 31, 2015, were paid directly from the TMF by the County Treasurer. There was no indication the transfer represented a reimbursement for additional costs paid from the General Revenue Fund relating to the operation or administration of the County Collector's office. Additionally, the County Collector indicated this was a voluntary gift and was not associated with any dedicated purpose.
- Annual credit card fees for 2 of the County Collector's personal credit cards totaling \$184 and interest and late fees totaling \$34 on one of her personal credit cards were paid from the TMF. The County Collector uses these credit cards for both county business and personal business. The county issues checks directly to these credit card companies when used for county business and the County Collector made payments to these credit card companies when used for personal business. While the County Collector has a county issued credit card, she has chosen to use her personal credit cards for TMF purchases. These are personal expenses and are not essential to the administration or operation of the County Collector's office.
- The County Collector was reimbursed \$180 from the TMF for her attendance on a railroad tour while at a conference in Colorado. This was not a requirement for attending the conference, and was a personal expense and not essential to the administration or operation of the County Collector's office.
- The County Collector stayed at a hotel costing an average of \$233 per night for 5 nights instead of staying at the hotel in which the conference had negotiated a discounted rate of \$92 per night while attending a conference in Colorado in October 2015. This resulted in additional costs of approximately \$141 per night for lodging costs.

Section 52.315, RSMo, requires TMF monies be expended for additional administration and operation costs of the County Collector's office. Section 52.315, RSMo, further indicates "Any costs shall include, but shall not be limited to, those costs that require any additional out-of-pocket expense by the office of collector and it may include reimbursement to the county



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general revenue for the salaries of employees of the office of collector for hours worked and any other expenses necessary to conduct and execute the duties and responsibilities of such office." Any unexpended balance is required to remain in the TMF to accumulate from year to year and should not be transferred to the county's general revenue for non-collector related purposes prior to reaching the limits set forth in Section 52.317.1, RSMo. It is unclear how the above items benefited the operation or administration of the office of the County Collector and therefore, the disbursements were not an appropriate use of the TMF monies. In addition, some items were personal expenses.

Recommendation Recommendation

The County Collector ensure disbursements from the Tax Maintenance Fund are in compliance with statutory provisions and are a prudent use of taxpayer funds.

Auditee's Response

The County Collector takes exception with the unfounded concerns mentioned. Of the amount spent for the entire year of 2015, 19.2 percent was returned to the General Revenue Fund voluntarily without attachment to any dedicated purpose. It was a gift, a gesture of good will to advance the service provided by the county to its citizens. These transfers began in 2003 shortly after the TMF was established. The intent at that time was to ensure more technology in the building. Each year this continued with the exception of 2008-2010 when \$18,000 was expended each year for a new software program. While the County Collector does not demand that it be used for technology, it is certain that the county incurs costs in that category and the transfer of funds benefits the county while also enhancing the technology in the County Collector's office. Another 30 percent was used to purchase supplies and computers used for the collection of taxes for the citizens of Polk County. These were funds that the General Revenue Fund did not have to spend for the County Collector's office. Another 9.2 percent was also paid to the General Revenue Fund to supplement a salary of an employee who was assigned significant additional duties. It is also important to understand that this fund is totally sustained by only delinquent tax penalties. The fund is not and never was a part of anticipated revenues for General Revenue Fund budgeting due to its nature of being a penalty and not a tax. Also, Section 52.315, RSMo, states that the County Collector has sole responsibility of the fund and must approve all expenditures, which the County Collector completed with the proper documentation. Section 52.317.1, RSMo, does not apply to this recommendation in any respect. As the County Collector was involved at the time of the drafting of this legislation and knew the intent of the author, that statute was designed to prevent the County Collector from holding an excess of funds and not allowing it to be used to advance the needs of the County Collector's office or the county. It should also be noted that prior years transfer amounts totaled \$64,500 and were examined by the State Auditor's Office with reports being made for September 2004 (#2004-82), September 2009



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(#2009-92), and October 2012 (#2012-126) involving 3 previous State Auditor's Administrations, of both major political parties, and it has not been cited as a statutory problem while all included yearly transfers and were not once questioned by the State Auditor's Office.

The County Collector, whenever possible, uses credit cards that she is personally financially responsible for when using the Tax Maintenance Fund monies. She does not use the card for personal expenses. There is a significant difference when using the word "personal" and the State Auditor's Office fails to mention the distinction. The county credit card that the State Auditor's Office mentions is also one that the County Collector is personally financially responsible. The card used by the County Collector provides a record of the expense, avoids the need to carry cash, and allows the benefit of no cost luggage fees when air travel is involved. Even with the annual fee, the savings to the county was \$116 for 2015. Previous years savings amounted to \$520. The County Collector has already negotiated away the fee for the 2016 year and is hopeful she will be successful with that in the future. Therefore, the use of the reward card contributed to a significant savings for the county. The \$34 in late fees and interest was attributed to a credit card bill not ever being received. It was obviously a unique situation as the County Collector has, as a habit, paid credit card balances due in January in late December as the county is prohibited from paying bills until the budget is approved, which is often the last days of January. Without this effort and foresight, the county would have late charges and interest every January. Therefore, without a pattern of this occurrence, it should be identified as only an isolated incident.

The County Collector attended a Rural Action Caucus Meeting as a Presidential appointed member of the National Association of Counties. The symposium involved indoor and field meetings but also included pre-conference sessions for various environmental site visits. The day involved visiting the Gold King Mine site in Silverton with Environmental Protection Agency (EPA) personnel who updated us on the environmental impact and the progress of cleanup following the waste water spill disaster of 2015, the impact to the Animas River, tourism, and the escalating relationship with EPA. The afternoon was spent with county personnel during the railway tour to observe the mucky orange contaminated waterways and the effects on the trees and wildlife. I would estimate that approximately 85 percent of the symposium attendees also attended the pre-conference event due to its value of education and training in learning how to deal with a disaster that impacts an area severely. This was an educational training as allowed by Section 52.315.2, RSMo, which also states, "including anything necessarily pertaining thereto." The County Collector also serves as the Information Director in case of emergencies and would not hold that position without being the County Collector. In the County Collector's opinion, all



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knowledge benefits the one who receives it and deems this training as valuable as any other.

The hotel of mention was reserved 4 months prior to the conference on the advisement of the event chairman. She advised the County Collector that this is the place the County Collector would want to stay and it would fill up quickly. When the conference registration opened it did not mention the hotel but provided a link (icon without a name) if you wanted to make accommodation requests. The County Collector did not need such accommodations since she had a room reserved for 3 months prior. Upon arriving for the conference, the County Collector discovered that there was a different facility and investigated changing her arrangements from the current hotel. With the cancellation policy, the savings would have been \$2.80 and she would have been sleeping in a motel facility with outside entrances which as a woman travelling alone is considered unsafe. She acted in good faith when selecting the hotel in June and it was unfortunate that the hotel cancellation policy was so strict that even changing to a motel would have been an insignificant cost savings.

With the full explanation provided above, the County Collector believes the situation has been made more clear, and the findings could not be described as personal expenses in any way and should be categorized as being in full compliance with uses allowed by state law.

Auditor's Comment

According to the 2016 county budget, the county paid \$1,139 in DSL internet services expenses during 2015. However, the County Collector transferred \$7,000 to the General Revenue Fund and per the County Collector response made the transfer "voluntarily without attachment to any dedicated purpose. It was a gift, a gesture of good will to advance the service provided by the county to its citizens." Annual credit card fees of personal credit cards are personal expenses. Section 52.317.1, RSMo, specifically mentions the Tax Maintenance Fund so this statute is applicable to that fund.

Polk County

Organization and Statistical Information

Polk County is a county-organized, third-class county. The county seat is Bolivar.

Polk County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 87 full-time employees (including elected officials) and 18 part-time employees on December 31, 2015.

In addition, county operations include a Senate Bill 40 Board, Senior Citizens' Services Board, and Law Enforcement Restitution Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Shannon Hancock, Presiding Commissioner	\$	30,380
Kyle Legan, Associate Commissioner		28,380
Rex Austin, Associate Commissioner		28,380
Carol Poindexter, Recorder of Deeds		43,000
Melinda Robertson, County Clerk (1)		43,104
Kenneth R. Ashlock, Prosecuting Attorney		134,188
Kay Williams, Sheriff		48,000
Vonna Jones, County Treasurer		43,000
Roy Harms, County Coroner		15,000
Barbara Davolt, Public Administrator		43,000
Debbi R. McGinnis, County Collector, year ended February 29, (2)	44,734	
Carolyn Page, County Assessor, year ended August 31,		43,000
Michael Shuler, County Surveyor (3)		

- (1) Includes \$104 of commissions earned for preparing the city tax books.
- (2) Includes \$1,734 of commissions earned for collecting city taxes.
- (3) Compensation on a fee basis.



Office of Missouri State Auditor
Nicole Galloway, CPA

Lawrence County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Lawrence County

County Procurement Process	The County Commission did not retain sufficient documentation to support awarding the bid for pretrial electronic monitoring services. As a result, it is unclear why the County Commission awarded the bid to the vendor selected. The County Commission also did not adequately document discussions and decisions concerning a potential conflict of interest.
County Collector's Controls and Procedures	The County Collector's annual settlement for the year ended February 29, 2016 was not accurate. The County Collector withholds a one-half percent commission for the Assessment Fund that is limited to \$75,000, but does not monitor amounts withheld or limit the amount deducted from tax collections. The County Collector does not prepare a monthly list of liabilities for the property tax collection bank account. The County Collector does not issue receipt slips for partial payments received from taxpayers who are unable to pay their tax bills in full. In addition, the County Collector does not compare the partial payment ledger maintained to the reconciled bank balance for the partial payment account monthly. The County Collector does not issue receipt slips for payments received for duplicate tax receipts, and those monies are held in a petty cash fund. Office personnel do not always record the method of payment accurately in the property tax system, and the composition of receipts recorded in the property tax system is not reconciled to the composition of deposits. The County Collector does not have adequate procedures for non-sufficient funds checks.
Sheriff's Controls and Procedures	Official prenumbered receipt slips are not issued by the Sheriff's office. Manual receipt slips issued at the jail are not always issued in numerical sequence, and manual receipt slips were not issued for 2 cash bonds received. In addition, the numerical sequence of manual receipt slips issued at the jail is not accounted for properly and reconciled with the monies transmitted to and recorded in the Sheriff's office. Bond forms are not prenumbered, and a reconciliation between bond forms and the manual receipts slips issued by the jail is not performed. The Sheriff's office procedures for the refunding of inmate monies with debit cards are not adequate. A physical inventory of seized property has not been performed, and some seized property has been held for years with some items dating back to 1979.
Prosecuting Attorney's Receipting and Transmitting	The Bad Check Clerk does not account for the numerical sequence of receipt slips, and documentation (victim letters or victim case cards) is not always maintained to support the transmittal of bad check and court-ordered restitution payments to victims.
Electronic Data Security	Controls over county computers are not sufficient. As a result, county records are not adequately protected and are susceptible to unauthorized access or loss of data.
Payroll Controls and Procedures	County officials have not always followed established employee policies. Full-time employees are paid in advance for their services, and there is no comparison of actual time worked to time previously reported.

Recorder of Deeds' Segregation of Duties	The Recorder of Deeds has not adequately segregated accounting duties or ensured independent reviews of detailed accounting and bank records are performed.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Lawrence County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Lawrence County

We have audited certain operations of Lawrence County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Lawrence County for the year ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

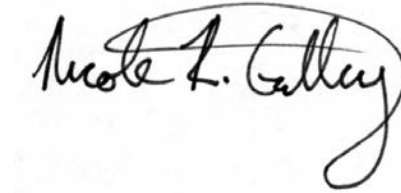
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Lawrence County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Pamela Allison, CPA
In-Charge Auditor:	Katelyn Crosson
Audit Staff:	Sherrye Lesmes
	Jason M. Huffman, MBA
	Natalie B. McNish, CGAP
	Marian Rader, M.Acct., CPA, CFE

Lawrence County Management Advisory Report State Auditor's Findings

1. County Procurement Process

The County Commission did not retain sufficient documentation to support awarding the bid for pretrial electronic monitoring services. As a result, it is unclear why the County Commission awarded the bid to the vendor selected. The County Commission also did not adequately document discussions and decisions concerning a potential conflict of interest.

On June 1, 2016, the county advertised the solicitation of bids for pretrial electronic monitoring services for defendants of the court. The County Commission received 2 sealed bids on June 15, 2016, and awarded the contract to a vendor (vendor #1) on July 13, 2016. The County Commission signed a contract with vendor #1 on July 27, 2016. On August 17, 2016, the other bidder (vendor #2) met with the County Commission to discuss and contest the County Commission's bid award. On August 31, 2016, the County Commission approved re-bidding the services and verbally agreed with vendor #1 to terminate the contract. On September 7, 2016, the County Commission and vendor #1 approved an amended contract, which provided for the termination of the contract, and the County Commission re-advertised the solicitation of bids. The County Commission received bids from the original bidders on September 14, 2016. On September 28, 2016, the County Commission awarded the re-bid contract to vendor #1.

We reviewed the county's bid process and related supporting documentation and noted the following:

- The County Commission did not award the original contract or the re-bid contract to the lowest bidder, and no documentation was retained to support the reason the lowest bid was not accepted from the initial bid submissions and the reason documented to support why the lowest bid was not accepted on the re-bid contract was not clear.

Vendor #1's original bid proposal included a \$50 installation fee for each monitoring system, \$9 per day for Global Positioning System (GPS) monitoring, and \$8 per day for alcohol monitoring through remote breathalyzers. Vendor #2's original bid proposal included no installation fees, \$9 per day for GPS monitoring, and \$7.50 per day for alcohol monitoring through remote breathalyzers. Vendor #2's original bid proposal also included the option of continuous alcohol monitoring through an ankle bracelet for \$10 per day instead of using remote breathalyzers.

Vendor #1's re-bid proposal did not include the \$50 installation fee for each monitoring system. Vendor #2's re-bid proposal changed to \$8 per day for GPS monitoring, and \$7 per day for alcohol monitoring through remote breathalyzers.



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The bid specifications required voice communication capabilities, which according to the County Commission was the reason vendor #1 was selected during the re-bidding process. However, meeting minutes only indicated vendor #1 was selected because "they were the only bidder that met all the specifications that were advertised."

- Handwritten notes were included with Vendor #1's original bid proposal. One note (which was not dated) indicated the \$50 installation fee for each monitoring system would be "charged on individual, but not on contract." The second note, dated July 13, 2016, indicated the installation fee would be "waived if county contract instead of individually." It is not clear what these notes represent, and no discussion of any changes in this fee was documented in the July 13, 2016, meeting minutes.
- The articles of incorporation for vendor #1 were not filed with the Secretary of State's office until July 23, 2016, 10 days after the county awarded the contract to the vendor and 38 days after the vendor submitted its bid to the county. Vendor #1's bid proposal did not indicate it had any previous experience providing these services and provided no references. Additionally, one of the owners for vendor #1 was terminated from previous county employment due to a misdemeanor criminal conviction.
- The articles of incorporation for vendor #2 were filed with the Secretary of State's office in March 2013. Vendor #2's bid proposal indicated its monitoring services were utilized by various surrounding counties, including Laclede, Douglas, Wright, Ozark, and Greene; and also indicated it was an Office of State Courts Administrator contracted vendor. Vendor #2's bid proposal also provided 12 references.
- The owners of Vendor #1 also own a bail bonds company in Lawrence County and those services offered could interfere or conflict with providing electronic monitoring services to clients. The address of the bail bond company and the address of the electronic monitoring service company are the same.

While the County Clerk indicated the county used multiple factors to evaluate the bids including experience, addressing the bid specifications, and cost; no documentation was retained to support the comparison of bids for these factors.

Competitive bidding helps ensure the county receives fair value by contracting with the lowest and best bidders. Documentation of the various proposals received, the County Commission's selection process, and criteria should be retained to demonstrate compliance with applicable laws and



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support decisions made. In addition, discussions and decisions concerning transactions where a potential conflict of interest exists should be clearly documented.

Recommendation

The County Commission ensure adequate documentation is prepared to support the evaluation process of vendor proposals, and potential conflicts of interest should be documented.

Auditee's Response

We will be more specific and document decisions made to support the evaluation process and potential conflicts in the future.

2. County Collector's Controls and Procedures

Controls and procedures in the County Collector's office need improvement. Property taxes and other monies collected by the County Collector totaled approximately \$22 million during the year ended February 29, 2016.

2.1 Annual settlements

The County Collector's annual settlement for the year ended February 29, 2016, was not accurate. The County Collector did not include approximately \$76,000 of railroad and utility taxes charged, collected, and distributed on the annual settlement.

To help ensure the validity of tax book charges, collections, and credits; and for the County Clerk and County Commission to properly verify these amounts, it is important the County Collector file complete and accurate annual settlements.

2.2 Assessment withholdings

The County Collector withholds a one-half percent commission for the Assessment Fund that is limited to \$75,000, but does not monitor amounts withheld or limit the amount deducted from tax collections to \$75,000. As a result, approximately \$32,000 more was withheld from tax collections and disbursed to the Assessment Fund than allowed by state law during the year ended February 29, 2016. Similar concerns occurred in previous years.

Section 137.720.1, RSMo, requires a one percent commission on ad valorem property tax collections allocable to each taxing authority be deducted from the collections of taxes each year and deposited into the assessment fund of the county. Section 137.720.3, RSMo, requires an additional one-half percent commission, but limits the amount deducted to \$75,000. Adequate monitoring and proper calculation of Assessment Fund withholdings is necessary to ensure compliance with statutory provisions.

2.3 Liabilities

The County Collector does not prepare a monthly list of liabilities for the property tax collection bank account. As a result, liabilities are not agreed to the reconciled bank balance monthly. At our request, the County Collector prepared a list of liabilities as of February 29, 2016. The list totaled



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\$495,766, while the reconciled bank balance was \$526,887, resulting in an overage of \$31,121.

A list of liabilities should be prepared monthly and reconciled to available cash balances to ensure sufficient cash is available for the payment of all amounts due and all monies in the bank account can be identified. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed.

2.4 Partial payments

The County Collector does not issue receipt slips for partial payments received from taxpayers who are unable to pay their tax bills in full. In addition, the County Collector does not compare the partial payment ledger maintained to the reconciled bank balance for the partial payment account monthly. As of February 29, 2016, the partial payment ledger totaled \$1,444, while the reconciled bank balance was \$2,276, resulting in an overage of \$832.

To ensure monies received for partial payments are properly recorded and deposited and to reduce the risk of loss, theft, or misuse of funds, the County Collector should issue receipt slips for all partial payments received and reconcile the partial payment ledger to the reconciled bank balance. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed.

2.5 Receipting and recording

Procedures for receipting and recording need improvement.

- The County Collector does not issue receipt slips for payments received for duplicate tax receipts, and those monies are held in a petty cash fund.
- Office personnel do not always record the method of payment accurately in the property tax system, and the composition of receipts (cash, check, money order, or credit card) recorded in the property tax system is not reconciled to the composition of deposits.

We identified numerous instances where the composition of receipts in the property tax system differed from the composition of the deposit. We determined some differences were due to method of payment entry errors, and the deposit of unrecorded duplicate tax receipts paid by check. Checks received for duplicate tax receipts are deposited, but the related cash is withheld from the cash drawer and put in the petty cash fund. In addition, overpayments made by check and subsequent cash refunds are not reflected on the daily collection reports. Also, the total cash collected amount recorded on the audit journal page is reduced by the amount of these refunds, but does not include the unrecorded duplicate tax receipts. As a result, the total amount received for cash and



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checks on the daily collection report or on the audit journal page do not agree to the total amounts of cash and checks deposited.

Properly receipting and recording payments, recording method of payment, and reconciling composition of receipts to the composition of deposits are necessary to ensure receipts are adequately safeguarded and reduce the risk of loss, theft, or misuse of funds.

2.6 Non-sufficient funds
checks

The County Collector does not have adequate procedures for non-sufficient funds (NSF) checks.

The County Collector's office does not reverse NSF checks in the property tax system to indicate the taxpayer's check was returned and payment is still due from the taxpayer. In addition, adjustments are not made to deduct NSF check amounts from monthly distributions of tax collections to the county and other political subdivisions. Restitution for NSF checks may not be received until several months after the receipt was initially collected and, in some instances, restitution may never be received. As a result, the office needs records to track the repayment status of these checks.

Without adequate procedures for the collection and recording of NSF checks, the County Collector's office cannot ensure amounts due from taxpayers are properly tracked and monies are properly distributed.

Similar conditions
previously reported

Similar conditions to sections 2.1, 2.3, and 2.4 were noted in our prior audit report.

Recommendations

The County Collector:

- 2.1 Prepare and file complete and accurate annual settlements.
- 2.2 Recalculate assessment withholdings for current and prior years and work with the County Commission to disburse amounts owed to the taxing districts from the Assessment Fund. The County Collector should also ensure the percentage deducted from property taxes for the Assessment Fund is properly reduced in future years once the \$75,000 limit is reached.
- 2.3 Prepare and reconcile a list of liabilities to the reconciled bank balance monthly. Any differences should be promptly investigated and resolved.
- 2.4 Issue receipt slips for all partial payments received, and reconcile the partial payment ledger to the reconciled bank balance monthly.



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- 2.5 Issue receipt slips for duplicate tax receipt payments, record method of payment accurately, and reconcile the composition of receipts to the composition of deposits.
- 2.6 Ensure a policy is established for the collection of NSF checks and accounting records accurately document the status of accounts involving those checks.

Auditee's Response

The County Collector provided the following responses:

- 2.1 *I have filed an amended annual settlement and will ensure future annual settlements are complete and accurate.*
- 2.2 *I will attempt to recalculate current and prior years assessment withholdings and work with the County Commission to disburse amounts owed. I have contacted the property tax system programmer to implement calculation changes to ensure the percentage to be deducted from property taxes for the Assessment Fund is properly reduced in future years once the \$75,000 limit is reached.*
- 2.3 *Office personnel will prepare and reconcile a list of liabilities to the reconciled bank balances monthly. Office personnel will attempt to identify and disburse the balance of differences identified in the report in accordance with state law.*
- 2.4 *I will consider issuing receipt slips for the partial payment monies received. Office personnel will reconcile the ledger to the cash balance monthly and attempt to identify and disburse the balance of differences identified in the report in accordance with state law.*
- 2.5 *I have contacted the programmer to record duplicate tax payments in the property tax system and a receipt will be generated from the system. Any differences in composition will be documented on the daily reports.*
- 2.6 *I have implemented a policy that after notification to the taxpayer and a 10 day time period, NSF checks will be turned over to the Prosecuting Attorney and reversed in the property tax system. Office personnel currently tracking the status of all NSF checks.*

The County Commission provided the following response:

- 2.2 *We will work with the County Collector and the County Assessor to disburse amounts owed to the taxing districts from the Assessment Fund.*



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The County Assessor provided the following response:

2.2 *I will work with the County Collector and the County Commission to timely disburse amounts owed to the taxing districts from the Assessment Fund.*

3. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The office processed civil and criminal process fees, concealed carry weapon (CCW) permits, bonds, and other miscellaneous receipts totaling approximately \$199,000 during the year ended December 31, 2015.

3.1 Receipting, recording, and reconciling

Controls and procedures for receipting, recording, and reconciling monies need improvement.

- Official prenumbered receipt slips are not issued by the Sheriff's office. Office personnel issue receipt slips created using computer software by the Administrative Clerk for payments received and for money received by jail personnel and transmitted to the Sheriff's office. The Administrative Clerk assigns a number to each receipt slip created.
- Manual receipt slips issued at the jail are not always issued in numerical sequence, and manual receipt slips were not issued for 2 cash bonds received totaling \$182 from October 11, 2015, to October 24, 2015. In addition, the numerical sequence of manual receipt slips issued at the jail is not accounted for properly and reconciled with the monies transmitted to and recorded in the Sheriff's office.

A similar condition was noted in our prior audit report.

- Bond forms are not prenumbered, and a reconciliation between bond forms and the manual receipt slips issued by the jail is not performed.

Failure to implement adequate receipting, recording, and reconciling procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

3.2 Inmate monies

The Sheriff's office procedures for the refunding of inmate monies with debit cards are not adequate.

Since the Sheriff's office implemented a new computerized commissary system in June 2016, we reviewed established procedures to ensure inmate monies were handled properly. The system allows inmate monies to be deposited into a kiosk and applied to an inmate's commissary account, and uses debit cards to return monies to inmates. The Jail Administrator does not maintain records to account for debit card stock received, issued, and on hand. Debit card stock on hand is maintained in the jail and is accessible to



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all jailers. In addition, inmates are not required to sign for the receipt of the debit card, and a report of debit card issuances is not generated and reviewed for accuracy.

Detailed records are necessary to adequately account for debit cards. Loss, theft, or misuse of debit cards and inmate monies could go undetected without adequate debit card records and procedures.

3.3 Seized property

A physical inventory of seized property has not been performed, and some seized property has been held for years with some items dating back to 1979.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the property. Periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly. Section 542.301, RSMo, provides the requirements for the disposition of seized property that has not been forfeited or returned to the claimant.

Recommendations

The Sheriff:

- 3.1 Issue official prenumbered receipt slips in sequential order for all monies received, ensure the numerical sequence of manual receipt slips is accounted for properly and reconciled with monies transmitted to the Sheriff's office, and issue prenumbered bond forms and reconcile the bond forms to the manual receipt slips issued.
- 3.2 Obtain adequate supporting documentation for any refunds of inmate monies, and develop records and procedures to account for all debit cards.
- 3.3 Ensure a periodic physical inventory is conducted and reconciled to the list of seized property, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property.

Auditee's Response

- 3.1 *We are looking into a new receipting system, which will provide official prenumbered receipt slips. The Administrative Clerk now accounts for the numerical sequence of receipt slips issued at the jail and reconciles the jail receipt slips with monies transmitted to the Sheriff's office. We will write the manual receipt slip number on the bond forms and reconcile bond forms to bond receipt slips.*



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- 3.2 *We now require inmates to sign for the receipt of debit cards. The debit card stock accessible to jailers has been limited to approximately 100 debit cards. We will generate a report of debit cards issued and review the report monthly.*
- 3.3 *We plan to conduct a physical inventory by June 2017. We will reconcile the inventory to the list of seized property and dispose of any old items as they are found.*

4. Prosecuting Attorney's Receipting and Transmitting

The Bad Check Clerk does not account for the numerical sequence of receipt slips, and documentation (victim letters or victim case cards) is not always maintained to support the transmittal of bad check and court-ordered restitution payments to victims. The office collected approximately \$139,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.

To adequately account for receipts and reduce the risk of loss, theft, or misuse of funds, the numerical sequence of receipt slips issued should be accounted for and documentation should be maintained to support the transmittal of monies to victims.

Recommendation

The Prosecuting Attorney account for the numerical sequence of receipt slips issued and adequately document the transmittal of monies to victims.

Auditee's Response

We have implemented changes to account for the numerical sequence of receipt slips issued and to maintain documentation for transmittal of monies to victims.

5. Electronic Data Security

Controls over county computers are not sufficient. As a result, county records are not adequately protected and are susceptible to unauthorized access or loss of data.

5.1 Passwords

The County Clerk, County Assessor, Public Administrator, and County Collector have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in the County Clerk and County Assessor's offices are not required to change passwords periodically. Computers in the Public Administrator's office do not require a password. Additionally, user access was not promptly deleted or suspended after seasonal employees in the County Collector's office ended their employment.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed by employees in certain offices and are not required in one office, there is less assurance they are effectively limiting access to computers and data files to



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only those individuals who need access to perform their job responsibilities. Passwords should be unique, confidential, changed periodically, and user access for seasonal employees promptly deleted or suspended to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

5.2 Security controls

Security controls are not in place to lock computers in the offices of the County Clerk, County Assessor, and Public Administrator after a specified number of incorrect logon attempts or after a certain period of inactivity. Logon attempt controls lock the capability to access a computer after a specified number of consecutive unsuccessful logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

5.3 Data backup

The County Clerk and Public Administrator do not store backup files at an off-site location. In addition, the Public Administrator does not periodically test backup data. Off-site storage and periodic testing to ensure the backup process is adequate would provide reasonable assurance data could be recovered if necessary.

Recommendations

The County Commission work with other county officials to:

- 5.1 Require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data, and ensure seasonal employees user access are promptly deleted or suspended.
- 5.2 Require each county computer have security controls in place to lock it after a specified number of incorrect logon attempts and after a certain period of inactivity.
- 5.3 Ensure backup data is stored in a secure off-site location and tested on a regular basis.

Auditee's Response

The County Commission provided the following responses:

- 5.1 &
- 5.2 *We will discuss the recommendation with the various officeholders and consider implementing a policy to address the issues identified.*



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Management Advisory Report - State Auditor's Findings

5.3 *We will work with the Public Administrator to ensure the recommendations are implemented.*

The County Clerk provided the following responses:

5.1 *I disagree philosophically about the effectiveness of frequently changing passwords. If a password is sufficiently complex it is more secure than a simplified password that is changed frequently.*

5.2 *I have contacted the accounting software vendor to inquire as to the feasibility of adding a lock out feature in the event of multiple incorrect logon attempts.*

5.3 *I have implemented this recommendation by entering into an agreement for off-site backup service and testing.*

6. Payroll Controls and Procedures

Controls and procedures over payroll disbursements need improvement.

6.1 Personnel policies

County officials have not always followed established employee policies.

- Several employees in the Sheriff's office carried vacation leave balances forward past their anniversary dates without documented approval as required by the Sheriff's office's personnel policy.
- Timesheets and leave records are not prepared for 2 assistant prosecuting attorneys as required by the county's personnel policy.

The Sheriff's office personnel policy requires employees to take vacation leave earned prior to their anniversary date, and indicates there will be no exceptions unless authorized by the employee's supervisor. Allowing employees to carry leave in excess of policy may result in unnecessary costs to the county. The county's personnel policy indicates all employees will complete and sign the required county approved timesheet prior to the issuance of a paycheck for the work period. Without timesheets and leave records, the County Clerk's office does not have sufficient records to ensure the validity of payroll disbursements.

6.2 Salary payments

The County Clerk's office prepares and distributes payroll for full-time employees on the 26th of each month for the period ending the last day of the month. As a result, full-time employees are paid in advance for their services. In addition, there is no comparison of actual time worked to time previously reported.



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Similar conditions
previously reported

Recommendations

Paying county employees in advance of hours actually worked may lead to errors and the potential for employees to be over/under paid. Article III, Section 38(a) of the Missouri Constitution, prohibits the granting of public monies or property to any private person, association, or corporation.

A condition similar to section 6.1 was noted in our prior 2 audit reports and a condition similar to section 6.2 was noted in our prior audit report.

The County Commission:

- 6.1 And the Sheriff ensure compliance with the vacation leave policy or revise the personnel policy as needed. Also, the County Commission should require the assistant prosecuting attorneys to submit timesheets and leave records to the County Clerk's office.
- 6.2 Discontinue compensating full-time employees in advance of receiving services.

Auditee's Response

The County Commission provided the following response:

- 6.1 *We will work with the Sheriff and Prosecuting Attorney to ensure compliance with the Sheriff's and county personnel policies.*

The County Clerk and County Commission provided the following response:

- 6.2 *The County Clerk will make every effort to ask for revised timesheets and to review them to evaluate if excess payments have been made. If an employee leaves county service, before the final paycheck is issued, adjustments are made to account for time actually worked.*

The Sheriff provided the following response:

- 6.1 *My office will document the approval of any carryover of vacation leave in accordance with the office's personnel policy.*

7. Recorder of Deeds' Segregation of Duties

The Recorder of Deeds has not adequately segregated accounting duties or ensured independent reviews of detailed accounting and bank records are performed. The office collected various fees totaling approximately \$234,000 related to recording documents, such as marriage licenses and deeds, during the year ended December 31, 2015.

The Recorder of Deeds receives, records, and deposits monies received; prepares checks for disbursement; and reconciles the bank account. An independent review of the detailed accounting and bank records is not performed by the 2 full-time deputy clerks in the office.



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Management Advisory Report - State Auditor's Findings

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential.

Recommendation

The Recorder of Deeds segregate accounting duties or ensure independent or supervisory reviews of detailed accounting and bank records are performed and documented.

Auditee's Response

I will have my employees be more active in the accounting duties of this office. I will have a second person review bank reconciliations and deposits.

Lawrence County

Organization and Statistical Information

Lawrence County is a county-organized, third-class county. The county seat is Mount Vernon.

Lawrence County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 88 full-time employees (including elected officials) and 18 part-time employees on December 31, 2015.

In addition, county operations include the health department, Board for the Developmentally Disabled, and the Senior Citizens Service Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Sam Goodman, Presiding Commissioner	\$	32,591
David Botts, Associate Commissioner		30,591
Joe Ruscha, Associate Commissioner		30,591
Pam Robertson, Recorder of Deeds		46,350
Gary Emerson, County Clerk		46,350
Don Trotter, Prosecuting Attorney		134,385
Brad DeLay, Sheriff		52,280
Kathy S. Fairchild, County Treasurer		46,350
Scott Lakin, County Coroner		16,480
Pam Fobair, Public Administrator		46,350
Kelli McVey, County Collector (1), year ended February 29,	55,074	
Doug Bowerman, County Assessor, year ended August 31,		45,900
Aaron Austin, County Surveyor (2)		N/A

(1) Includes \$8,492 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.



Office of Missouri State Auditor
Nicole Galloway, CPA

Prevailing Wage Program



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Department of Labor and Industrial Relations - Prevailing Wage Program

Background	The prevailing wage law requires not less than the prevailing hourly rate of wages to be paid to workers on public works projects. The law applies to all public works projects constructed by or on behalf of the state and local public bodies. The prevailing wage law does not apply to maintenance work consisting of the repair of existing facilities when the size, type, or extent of the existing facilities are not changed or increased. The Department of Labor and Industrial Relations (DOLIR) is responsible for determining the prevailing wage rates and enforcing the prevailing wage law. The DOLIR, Division of Labor Standards (DLS), Wage and Hour Section is responsible for the day-to-day operations of the prevailing wage program.
Complaint Investigations	DLS did not investigate all complaints, did not always perform investigations in accordance with procedures or state law, and did not maintain a database of all complaints received. DLS records indicate 219 complaints were received, 115 complaint investigations were completed, and 68 violations were found during the year ended June 30, 2016.
Compliance with the Prevailing Wage Law	We reviewed 22 public works projects and, although we found no instances of noncompliance with the wage rates paid according to the certified payroll documentation, we found 20 projects had at least one instance of noncompliance with a prevailing wage law requirement by the public body.
Project Notifications	The DLS does not actively identify state agencies and other public bodies who fail to submit project notifications to encourage compliance. As a result, the DLS does not receive project notifications from public bodies on a significant number of public works projects as required by state law. In addition, projects without a project notification appear to be more likely to have noncompliance with other prevailing wage law requirements.
Construction Safety Training	During our review of prevailing wage complaints, which included construction safety training complaints, we noted limitations in the law impair effective enforcement of the construction safety training requirement.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Prevailing Wage Program

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Ryan McKenna, Director
Department of Labor and Industrial Relations
and
John E. Lindsey, Director
Division of Labor Standards
Jefferson City, Missouri

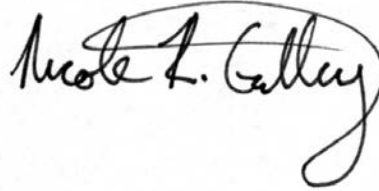
We have audited certain operations of the Department of Labor and Industrial Relations, Division of Labor Standards as it relates to the prevailing wage law, in fulfillment of our duties under Chapter 29, RSMo. The purpose of the audit was to evaluate the prevailing wage program. The objectives of our audit were to:

1. Evaluate internal controls over significant management and financial functions of the prevailing wage program.
2. Evaluate compliance with certain legal provisions related to the prevailing wage program.
3. Evaluate the economy and efficiency of certain management practices and operations of the prevailing wage program.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in our audit.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in certain management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Prevailing Wage Program.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Robert Showers, CPA, CGAP
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	Brian Hammann, M.Acct., CPA
Audit Staff:	Shannon Spicer, MBA
	Mackenzie J. Wooster

Prevailing Wage Program

Introduction

Background

The state established the prevailing wage law in 1957. Under Sections 290.210 through 290.340, RSMo, the Department of Labor and Industrial Relations (DOLIR) is responsible for determining the prevailing wage rates and enforcing the prevailing wage law. The DOLIR, Division of Labor Standards (DLS), Wage and Hour Section is responsible for the day-to-day operations of the prevailing wage program.

The prevailing wage law applies to all public works projects constructed by or on behalf of state and local public bodies. These projects include fixed works constructed for public use and funded entirely or in part by public funds. Public works projects also include work accomplished directly by any public utility company performed under the order of the Public Service Commission or other public authority. The prevailing wage law does not apply to maintenance work consisting of the repair of existing facilities when the size, type, or extent of the existing facilities are not changed or increased. The law requires not less than the prevailing hourly rate of wages to be paid to workers on public works projects.

The DLS develops annual wage orders to determine the prevailing wage rates based on prior year wage information voluntarily provided by contractors, public bodies, labor organizations, and other entities through the DLS's Contractor's Wage Survey system. Survey participants report the number of hours, wage rates, and benefit rates actually paid on projects for each occupational classification, county and project type on forms developed by the DLS. The survey forms may be submitted in paper or electronic format. Based on survey responses, the prevailing wage rates are determined for each county, occupational title and by project type. There are two project types, building construction or heavy construction. Building construction projects must be for commercial structures, which include a sheltered enclosure for the purposes of housing persons, machinery, equipment or supplies, while heavy construction projects include highways, streets, bridges, tunnels, antennae towers, channels, levees, pipelines, and sewers. The method to determine the prevailing wage rates is set forth under Sections 290.260 and 290.262, RSMo. For annual wage order number 23, effective May 2016, the DLS determined 7,273 prevailing wage rates applicable to 55 occupational titles, all counties, and building and heavy construction projects.



Prevailing Wage Program Introduction

Prevailing wage law requirements for public bodies¹ include the following:

- Request a determination of the annual wage order from the division and incorporate a complete copy of the most current annual wage order in all bid specifications (Sections 290.250 and 290.325, RSMo).
- Include language in the contract that the contractor must pay at least the prevailing wage and the penalty for noncompliance (Section 290.250.1, RSMo).
- Notify the division of the public works project by submitting a form containing information about the scope of the work to be done, the various types of workers who will be needed on the project, and the date work will commence on the project (Section 290.262.12, RSMo).²
- Notify the division of any prevailing wage violations (8 CSR 30-3.010 (7)). The public body should withhold and retain from payments to the contractor all amounts owed as a result of any violation (Section 290.250.1, RSMo).
- Require a completed affidavit of compliance from all contractors and subcontractors before making final payment (Section 290.290.2, RSMo).
- Examine payroll records as often as may be necessary to ensure compliance with the law. In addition, the public body must review payroll records after the project has been substantially completed but prior to acceptance of the affidavit of compliance (8 CSR 30-3.010 (7)).

Contractors are required to:

- Pay employees not less than the prevailing wage rates (Section 290.230.1, RSMo).
- Post the prevailing wage information in a prominent and easily accessible location at the project site (Section 290.265, RSMo).

¹ University of Missouri System officials assert the prevailing wage law is not applicable to system institutions based upon Attorney General's opinions and case law. However; the university system voluntarily requires payment of prevailing wage rates on all university projects.

² The DOLIR has granted the Missouri Department of Transportation a regulatory exemption from this requirement.



Prevailing Wage Program Introduction

- Submit certified payroll records to the public body, which detail all employees' occupational classification, hours worked, and rate of pay (8 CSR 30-3.010 (6)).
- Submit an affidavit of compliance form to the public body at project completion (Section 290.290.2, RSMo).

Under Section 292.675, RSMo, effective August 2009, contractors engaged in public works construction are required to provide a 10-hour Occupational Safety and Health Administration (OSHA) construction safety program for their on-site employees or a similar program approved by the DLS. Public bodies are required to include the construction safety training requirements in all public works contracts. All construction employees who have not previously completed training are required to complete training within 60 days of beginning work on a project. Employees are allowed 20 days to provide documentation of safety training completion before being subject to removal from the project. The DOLIR is charged with investigating claims of violations of the construction safety training requirements. The DLS Wage and Hour Unit conducts those investigations.

The DLS has the authority to administer oaths and subpoena witnesses to testify and produce any materials relevant to investigations. The DLS may assess a penalty of \$100 per day per worker for each instance a worker is not paid the prevailing wage. The penalty is due within 45 days of notice of penalty unless the employer pays the back wages or seeks arbitration within the 45 days. For violations of the construction safety training requirements, the DLS may assess a penalty of \$2,500 plus \$100 per day per worker for each worker without the required safety training after the 60-day and 20-day grace periods have elapsed. Any penalties imposed are to be paid to the public body awarding the contract.

In addition to investigations, the DLS uses communication and educational efforts with contractors, labor unions, public bodies, and other interested parties about the prevailing wage and construction safety training laws to assist in achieving voluntary compliance with the law.

According to the United States Department of Labor, Missouri is one of 30 states with a prevailing wage law. Missouri is one of 8 states³ with a law requiring construction safety training for workers on public works projects.

During the year ended June 30, 2016, the DLS reported completion of 115 prevailing wage complaint investigations resulting in 68 violations (59 percent) involving 465 workers. The investigations resulted in contractors

³ Other states include Connecticut, Massachusetts, Nevada, New Hampshire, New York, Rhode Island, and West Virginia.



Prevailing Wage Program Introduction

being assessed approximately \$533,000 in restitution for underpaid wages. Workers received \$387,000 of this amount while the remaining \$146,000 was not paid within 45 days. The unpaid restitution resulted from four investigations. The DLS assessed the applicable contractors penalties totaling \$74,900. The DLS did not receive payment for the penalties and sent all 4 cases to the Attorney General's Office for prosecution.

In addition to prevailing wage duties, the DLS Wage and Hour unit also administers and investigates violations of the child labor and minimum wage laws. During the year ended June 30, 2016, the DLS reported completing 22 child labor and 441 minimum wage investigations. The DLS also reported unit supervisors and investigators made 559 educational and advisory visits with public bodies during the year.

Scope and Methodology

To gain an understanding of the prevailing wage program, we held discussions with DLS personnel and reviewed written policies and procedures. In addition, to gain an understanding of legal provisions that are significant within the context of the audit objectives, we reviewed relevant statutes, regulations, and Attorney General's opinions.

To evaluate whether prevailing wage rates are being determined in accordance with statutory requirements, we haphazardly selected and tested the prevailing wage rate determinations for 60 occupational titles in counties throughout the state for the 2016 annual wage orders. To evaluate DLS procedures for investigating claims of violation, we obtained and reviewed reports on 10 complaint investigations completed during the year ended December 31, 2015. We also reviewed reports of complaint activity for the period of January 1, 2015, to June 30, 2016. To determine whether public bodies are notifying the DLS of public works projects, we obtained information from various state agencies to identify public works projects and compared the project information to project notification data obtained from the DLS. We researched various requirements and practices of prevailing wage programs in other states. In addition, we reviewed various financial data, performance statistics, and other pertinent documents as necessary.

To determine if public bodies and contractors were in compliance with prevailing wage laws, we reviewed documentation for 22 public works projects. We selected projects for review where bidding occurred after January 1, 2015, and either the project was completed or substantially completed as of June 30, 2016.

Prevailing Wage Program Management Advisory Report State Auditor's Findings

1. Complaint Investigations

Division of Labor Standards (DLS) complaint investigation procedures need improvement. The DLS did not investigate all complaints, did not always perform investigations in accordance with established procedures or state law, and did not maintain a complete database of all complaints received. DLS records indicate the division received 219 complaints, completed 115 complaint investigations, and identified 68 violations during the year ended June 30, 2016.

1.1 Complaints not investigated

During the period of July 2015 through October 2015, the DLS did not investigate 24 complaints received. The DLS issued letters to the complainants indicating the decision to close the investigation was due to staff reductions as a result of budget cuts.

Budget reductions reduced the number of full-time equivalent investigators from 6.9 for fiscal years 2012 through 2015 to 4.1 for fiscal year 2016.⁴ However, department officials could not explain how they determined which complaints not to investigate. In addition, it is likely one of the 24 complaints not investigated was at risk for underpaid wages. The DLS received 2 complaints of prevailing wage violations on the same subcontractor. The complaints occurred on separate projects overseen by the same public body. While one complaint was not investigated, the other was investigated and resulted in the subcontractor owing restitution of approximately \$44,000 to 42 workers for underpaid wages. Workers performing carpentry work had been misclassified and paid as laborers.

Section 290.250.2, RSMo, requires the division to investigate any claim of violation of prevailing wage law. In addition, DLS data on complaint investigation results over the last 5 fiscal years indicates an average of 54 percent of complaint investigations identify a violation of the prevailing wage law with most violations identifying underpayment of wages. With such a high violation rate, it is imperative the DLS complete all required complaint investigations to help ensure potential violators of the prevailing wage law are held accountable.

1.2 Investigation procedures

The DLS investigators did not always follow investigation guidelines or issue written notices of violation for failure to comply with prevailing wage law. We reviewed 10 of the 217 investigations closed during the year ended December 31, 2015, and noted the following:

- The DLS closed a complaint investigation without pursuing further action against a contractor who refused to cooperate with the investigation. The investigation report indicates that after responding to

⁴ For fiscal year 2017, the General Assembly authorized increasing the number of full-time equivalent employees for the Wage and Hour unit and increased the personal services appropriation by 46 percent. DLS officials indicated they planned to hire 3 investigators.



Prevailing Wage Program Management Advisory Report - State Auditor's Findings

initial investigation requests the contractor then refused to respond to multiple requests from the investigator to discuss the complaint. After a failed attempt to serve the contractor with a subpoena at an old address, the investigator performed no follow up action and closed the case. The investigator obtained that address from the Secretary of State's business registration website but failed to notice an amended business registration filing with a new company registered agent at a newer address had been filed. Due to failure to properly serve the subpoena, the investigation could not be completed and the contractor could not be referred to the Attorney General's Office for enforcement of the subpoena.

- The DLS did not issue a written notice of violation to a public body for failure to comply with prevailing wage law on an investigation that determined the public body did not bid the project as a prevailing wage project. The investigation report stated the public body was found to be in violation of Section 290.250.1, RSMo; however, the DLS did not send a written notice of violation to the public body as required under Section 290.335, RSMo.
- Investigators did not always review for public body compliance or educate public bodies about prevailing wage law as required by the investigation guidelines. For 4 complaint investigations in which the public body failed to submit the required project notification, we did not observe documentation the investigator attempted to educate the public body on the prevailing wage law as required by the prevailing wage investigation guidelines.

Section 290.240, RSMo, requires the division to inquire diligently as to any violation of the prevailing wage law. Taking no action against a contractor who refused to respond to investigator inquiries does not appear to meet that standard. In addition, Section 290.335, RSMo, requires a written notice of the precise violation be provided to the public body, contractor, or subcontractor if a determination of noncompliance with prevailing wage law has been made. Investigation guidelines established by the DLS also require the investigator to review for public body compliance and educate the public body when noncompliance is identified.

1.3 Complaint records

The DLS did not maintain a complete database of all complaints received or include information on the public body in the database. During the year ended June 30, 2016, DLS personnel only entered 112 of the 219 complaints received into the complaint database. They indicated complaints are initially reviewed and only complaints considered valid are assigned to an investigator and entered into the database. Any complaints not assigned and logged are maintained in manual files for 5 years before being discarded. In addition, DLS officials indicated they do not review the complaint database



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for contractors with prior violations to identify complaints with increased risk for violation.

Complete records of complaints received are necessary to monitor them and ensure all complaints have been adequately investigated and resolved. In addition, complete complaint records would allow better oversight of complaint investigations and help identify complaints with higher risk for violation.

Recommendations

The DLS:

- 1.1 Investigate all complaints as required by state law.
- 1.2 Ensure investigation guidelines are followed on all complaint investigations and issue notices of violation to public bodies, as required by state law.
- 1.3 Maintain a database of all complaints received. In addition, the DLS should review the complaint database to identify complaints with increased risk for violation in order to prioritize investigations.

Auditee's Response

- 1.1 *All prevailing wage complaints are being assigned to a specialist to be investigated.*

All minimum wage complaints are reviewed to verify DLS authority to investigate. Those that are not assigned, for various reasons, are being reviewed by the Wage & Hour Supervisor and the Program Manager before being denied investigation. All child labor complaints are assigned and investigated.

- 1.2 *We have reviewed and updated the investigative guidelines to streamline our process and ensure each step is completed in a timely manner. Specifically, providing the Project Notification (PW-2) form with each public body request for a wage determination, verifying receipt of and/or requesting from the public bodies the PW-2 forms for any projects that have a complaint filed on them, and tracking the public body notice of violation letters and creating guidelines for the subpoena process.*
- 1.3 *On July 1, 2016, the beginning of the new fiscal year, the DLS implemented a process of entering each complaint as it is received into an Excel spreadsheet for tracking purposes. The spreadsheet is updated when the complaint is assigned to a specialist for investigation or denied with the reason of denial. A search of the database is done for each complaint received for previous complaints, violations or investigations.*



Prevailing Wage Program Management Advisory Report - State Auditor's Findings

2. Compliance with the Prevailing Wage Law

Public bodies frequently do not comply with the prevailing wage law on public works projects. The DLS provides information to public bodies and contractors regarding the prevailing wage law, but additional outreach and training is needed to improve compliance.

We reviewed 22 public works projects and, although we found no instances of noncompliance with the wage rates paid according to the certified payroll documentation, we found 20 projects had at least one instance of noncompliance with a prevailing wage law requirement by the public body. We reviewed projects from 6 school districts, 6 cities, 1 county, 2 water districts, and 3 state agencies, including the Department of Conservation (1 project), the Missouri Department of Transportation (MoDOT) (3 projects), and the Office of Administration (OA), Division of Facilities Management, Design and Construction (FMDC) (3 projects).

The table below summarizes the rate of noncompliance with the prevailing wage law and regulation identified on the 22 projects reviewed:

Description of Noncompliance	Noncompliance Percentage
The public body did not send a project notification to the DLS	74
The public body's contract did not include a statement about the \$100 penalty	59
The public body issued the final payment before obtaining the affidavit of compliance	40
The public body did not document any review of payroll records	30
The bid document did not include the correct wage order	5
The public body's contract did not include any language about prevailing wage	5

Public bodies did not submit project notifications to the division for 14 of the 19 applicable projects. The OA FMDC did not submit project notifications on 2 of the 3 projects reviewed. We previously reported the OA FMDC did not submit project notifications to the division for approximately 3 years in our Report No. 2016-065, issued in August 2016. See MAR finding number 3 for additional discussion on project notifications.

For 13 of the 22 projects reviewed, the project contract did not contain a statement requiring the contractor to pay a \$100 penalty for each worker paid less than the prevailing wage rate for any work done under the contract as required by state law. For 5 projects, officials indicated they used the MoDOT standard contract for federally funded projects, which does not specifically mention the penalty. In addition, the OA FMDC did not include language in its contracts about the \$100 penalty.

Public bodies made final payments on projects before they received all affidavits of compliance on 4 of the 10 completed projects in violation of state law. One project did not have any affidavits of compliance when final



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payment occurred. For 3 of 10 completed projects, the public body did not have any documentation of review of contractor payroll records before making the final payment as required by state regulation.

One of the 22 projects was bid using an outdated wage order instead of the wage order applicable at the time of bid, as required by state law. The more current wage order had a higher prevailing wage benefit rate for the employee we reviewed. After we brought this concern to their attention, DLS personnel conducted an investigation and determined employees on the project were paid at least the correct prevailing wage rate including benefits. One of the 22 projects did not include prevailing wage language in the contract as required by state law.

The public bodies bid all 22 projects as prevailing wage projects and, based on a test of certified payroll documentation, employees were paid at least the prevailing wage rate.

Construction safety training program

In addition, we reviewed contracts for the 22 projects tested to determine whether they contained language as required by state law about construction safety training. Two contracts (9 percent) did not contain language stating the contractor and any subcontractor shall require all on-site employees to complete the 10-hour construction safety training program. Also, six contracts (27 percent) did not contain language requiring the contractor to pay a penalty to the contracting public body for employees that did not meet the safety training requirement.

Additional outreach can improve compliance

The DLS has information about the prevailing wage law available on its website including a Missouri public works project public body checklist to assist public bodies in being compliant with prevailing wage laws. However, 15 of 22 projects reviewed (68 percent) did not use the DLS checklist or a similar checklist to help ensure compliance. We noted instances of public body noncompliance on all 15 of these projects. The public bodies that had used such a checklist as part of their review process had fewer instances of noncompliance. This suggests that use of the DLS prevailing wage checklist by public bodies helps ensure compliance with state law.

The DLS provides information on the prevailing wage law through investigators in the field providing training to businesses and public bodies, occasional training sessions at conferences, and answering questions about the prevailing wage law. However, based on the noncompliance identified in our review of public works projects, additional outreach training is needed. Additional proactive enforcement procedures, including an increased emphasis on the DLS prevailing wage checklist, will help ensure compliance with state prevailing wage laws.



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Recommendation

The DLS improve outreach and training efforts to public bodies to improve compliance with the prevailing wage law.

Auditee's Response

The DLS will provide a Public Works Public Body Check-Off List in all future Annual Wage Order determinations provided that outlines step-by-step the processes necessary for compliance of the requirements of the Missouri Prevailing Wage Law. The check-off list includes the steps for before, during and before final payment is made, including suggested language for penalties for noncompliance. The Prevailing Wage Law, Prevailing Wage Rates for Public Works Projects, 8 CRS 30-3.010; Request for Wage Determination (PW-3) form, Project Notification (PW-2) form, Check-Off List (PW-5), Certified Payroll Record and instructions (LS-57) form, and the Contractor's Report of Construction Wage Rates (LS-04) form are being discussed and distributed at public body and contractor presentations.

The DLS will send a mass email to all public bodies with a friendly reminder of their responsibility of compliance with the Prevailing Wage Law as public entities including the forms listed above, the DLS website, telephone number, and email address.

3. Project Notifications

The DLS does not actively identify state agencies and other public bodies that fail to submit project notifications. As a result, the DLS does not receive project notifications from public bodies on a significant number of public works projects as required by state law. In addition, for projects the DLS did not receive a project notification for, non compliance with other prevailing wage law requirements was more likely to occur. The DLS received approximately 2,200 project notification submissions from 231 public bodies during the year ended June 30, 2016.

Section 290.262.12, RSMo, requires public bodies before work begins on public works projects to notify the DLS of the scope of the work to be done, the various types of workers who will be needed on the project, and the date work will commence on the project. The DLS has developed a project notification form. Besides the project details, the form also requests the public body provide contact information for the public body, contractor, and all subcontractors on the project.

State agency notifications

We obtained information from multiple state agencies about public works projects overseen by the agency itself or administered by local governments with funds provided by the agency. We requested information on projects bid between January 1, 2015, and June 30, 2016 and compared that information to DLS's project notification database. We were able to match projects on the agency lists to project names in the notification data for some lists. For other lists, we could only compare the number of projects on the lists to the number of projects in the notification data because project names were not consistent between the lists and the notification data.



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Based upon our work we determined that of the 696 projects on the agency lists, the DLS had not received a project notification form on 391 projects (56 percent), as follows:

- For projects funded by the Department of Economic Development and administered by public bodies, 59 of 81 projects (73 percent) did not have a project notification submitted.
- The OA, FMDC did not submit project notifications for 84 of 137 projects (61 percent).
- For projects funded by the Department of Natural Resources and administered by public bodies, 104 of 180 projects (58 percent) did not have a project notification submitted.
- For MoDOT funded projects, administered by local public agencies, project notifications were not submitted for 143 of 276 projects (52 percent).
- The Department of Conservation did not submit a project notification for 1 of 22 projects (5 percent).

The MoDOT is exempt from the project notification requirement under state regulation, however MoDOT had submitted project notifications for 136 of 504 projects overseen by the agency. DLS officials indicated they met with MoDOT officials in July 2016 and reached an agreement that MoDOT would begin submitting project notifications for all MoDOT administered projects.

School district notifications

The DLS does not actively monitor school districts who report capital outlay expenditures to ensure they are completing project notification forms. We obtained public school capital outlay building expenditures for the year ended June 30, 2015, from the school year 2014-2015 Annual Secretary of the Board Report (ASBR) submitted to the Department of Elementary and Secondary Education. The DLS received project notification forms from 48 schools during the year ended June 30, 2015. However, we identified 86 schools with capital outlay expenditures of more than \$1 million, and 107 schools with capital outlay expenditures between \$100,000 and \$1 million, that did not submit any project notification forms for the year ended June 30, 2015. While the ASBR does not contain information about specific public works projects, it is likely many schools are not submitting project notification forms on these projects.

Projects with notification forms have a reduced rate of noncompliance

Our review of public works projects indicated projects without a project notification form submitted to DLS had a 20 percent noncompliance rate with other prevailing wage law requirements (See MAR finding number 2



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for information on the specific requirements we reviewed). In contrast, projects with a project notification submitted to the DLS had a 7 percent noncompliance rate with other prevailing wage law requirements. While we reviewed a limited sample of public works projects, our review indicates public bodies that fail to submit project notifications to the DLS have a higher noncompliance rate with other prevailing wage law requirements and would be good candidates to receive outreach training about the prevailing wage law.

DLS officials indicated they have not actively monitored noncompliance with notification requirements partially because they currently do not have adequate staff to perform any routine project testing on projects for which they receive project notifications. However, a more complete project notification database would help the DLS increase compliance with prevailing wage law by performing additional outreach to public bodies. Increased outreach would particularly benefit public bodies who are less familiar with prevailing wage requirements such as school districts, municipalities, water and sewer districts, and fire and ambulance districts.

Recommendation

The DLS actively identify state agencies and public bodies who are not submitting project notifications and are more likely to have public works projects, and utilize the notification database to improve outreach efforts.

Auditee's Response

The DLS made an agreement with MoDOT in July 2016 for Project Notification (PW-2) forms to be submitted. The DLS has since received PW-2 forms from MoDOT and have entered them into the database. The DLS has also implemented a practice of contacting all public bodies that have a complaint filed on one of their projects when a PW-2 has not been submitted.

4. Construction Safety Training

Current state law requiring construction safety training for workers on public works projects needs to be strengthened. During our review of prevailing wage complaints, which included construction safety training complaints, we noted limitations in the law impair effective enforcement of the construction safety training requirement.

Under Section 292.675, RSMo, any contractor or subcontractor completing construction of public works for any public body is required to provide an approved 10-hour construction safety training program to all on-site employees unless the employee has previously completed a construction safety training program.

The contractor is required to ensure project employees who have not previously received the training, are provided safety training within 60 days of starting work on a project. If an employee is observed by the DOLIR on a job site without the proper training certificate, the employee has 20 days to



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provide it. If the employee fails to provide a training certificate and both the 60 day and 20 day timeframes have elapsed, the DLS can assess a fine against the employer of \$2,500, plus \$100 for each employee on the project without a training certificate.

Enforcement limited

Current enforcement methods of this requirement are limited. Under Section 292.675.5, RSMo, the DOLIR shall investigate any claim of violation of safety training requirements. However, very few complaints are received. This is likely due to a lack of incentive by both the employee and employer to file a complaint. In the event a complaint is filed, the DLS typically is unable to enforce any penalty because the job has been completed and any untrained workers can no longer be observed on the job site, as required by state law.

During the year ended June 30, 2016, the DLS received 24 safety training complaints. Of those complaints, 19 could not be investigated because the project was complete and there were no employees on-site who could be checked for documentation of training completion. For the 5 projects with active employees at the time of the DLS complaint investigation, division personnel identified no violations of the safety training requirement.

DLS officials indicated they began actively enforcing the safety training requirement in 2011 and issued many violations because contractors did not have documentation in their records all employees on the certified payrolls had completed the required safety training programs. However, since state law does not require contractors to maintain or provide documentation of the completion of safety training for all employees on certified payrolls, the DLS changed to the current procedure of requiring a complaint before investigating.

Seven other states have construction safety training requirements. Three of the 7 states require proof of training completion to be included with the first certified payrolls submitted to the public body allowing the public body to ensure all employees have completed the safety training at the beginning of the project. A requirement that contractors must maintain and submit documentation that all on-site employees have completed or are currently obtaining the construction safety training would provide some assurance the contractor and all on-site employees have complied with the construction safety training requirements before working on the job. In addition, requiring documentation that training requirements have been met would allow for easier enforcement by the DLS. In addition, public bodies should be given authority to determine if violations have occurred and to report any violations to the DLS.

Recommendation

The DOLIR work with the General Assembly to revise state law to require contractors on public works projects to maintain and submit documentation



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Auditee's Response

that all on-site employees are in compliance with construction safety training requirements. In addition, public bodies should be empowered to determine if contractors are not complying with the safety training requirements and to report any violations to the DLS.

The DLS has included the safety training requirements in their guidelines to ensure that specialists explain the safety training requirements to all contractors and public bodies through education/presentations and to encourage public bodies to include language in both the solicitation and advertisement for bid and the bid specifications.

The DLS will continue to educate contractors and public bodies of the requirements of the Prevailing Wage Law Construction Safety Training highlighting the positives of compliance.

- 1) Fewer deaths*
- 2) Fewer accidents*
- 3) Lower Worker's Compensation premiums*

In addition, we will add a column on the LS-57 Certified Payroll form to include a check box for OSHA 10 Training.

Prevailing Wage Program

Organization and Statistical Information

The Division of Labor Standards (DLS), is a division of the Department of Labor and Industrial Relations. The DLS is an administrative division created by the Labor and Industrial Relations Commission to satisfy the requirements of section 8, paragraph 5, of the Omnibus State Reorganization Act of 1974. This act created an inspection section which is now named the Division of Labor Standards.

The DLS is organized into three sections: Wage and Hour, On-Site Safety and Health, and Mine and Cave Safety. The Wage and Hour Section is responsible for determining the prevailing wage rate and enforcing the prevailing wage law and construction safety training law. In addition, the Wage and Hour Section administers and enforces Missouri's child labor, and minimum wage laws and provides information to the public on Missouri's labor laws.

The Wage and Hour Section receives separate appropriations for the prevailing wage, child labor, and minimum wage programs. For the year ended June 30, 2016, the prevailing wage program's appropriation authority was \$192,470 and expenditures were \$182,172. For the year ended June 30, 2015, the prevailing wage program's appropriation authority was \$312,978 and expenditures were \$265,985.

John E. Lindsey was appointed the Division Director effective August 7, 2013. The Wage and Hour Section employed 9 full-time employees, including 4 investigators, as of June 30, 2016.



Office of Missouri State Auditor
Nicole Galloway, CPA

Sullivan County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Sullivan County

Public Administrator's Controls and Procedures	The Circuit Court, Probate Division does not sufficiently review the activity of cases assigned to the Public Administrator. In addition, supporting documentation was not maintained for all disbursements, and 2 annual settlements prepared by the Public Administrator's office did not include some assets of the estate. The Public Administrator did not perform bank reconciliations, and checks were not always issued in sequence.
Property Tax System and County Collector-Treasurer's Controls and Procedures	Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector-Treasurer. The County Collector-Treasurer has not disbursed property taxes collected for the abolished townships since March 2015. The County Collector-Treasurer's computer system cannot generate a detailed report of voided or deleted transactions and adequate documentation is not retained to support such transactions.
Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of detailed accounting and bank records. Monies received are not recorded and deposited timely. The clerk records receipts when preparing a deposit. The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks. Administrative handling cost fees collected by the Prosecuting Attorney's office are not always in compliance with state law.
Sheriff's Controls and Procedures	The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of detailed accounting and bank records. A physical inventory of seized property has not been performed, the seized property records maintained are not accurate, and there is no master list of seized property. In addition, some seized property has been held for years and the Sheriff indicated his office has not periodically disposed of items no longer needed.
Sunshine Law	The County Commission did not prepare minutes for both closed meetings held during the year ended December 31, 2015, and the agenda for one meeting did not include advanced notice of a closed meeting.
Electronic Data Security	The County Collector-Treasurer, County Assessor, County Clerk, Recorder of Deeds, Prosecuting Attorney, Public Administrator, and the Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The Sheriff does not periodically test backup files and does not store backup files at an off-site location.
Contracted Labor	The county did not document the reasons for classifying a grant coordinator for disaster recovery projects and the Sheriff's secretary as independent contractors rather than employees. In addition, these individuals were not required to submit monthly timesheets and/or invoices to document hours worked, and the county compensates them at a flat monthly rate.

Additional Comments

Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was Poor .*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Sullivan County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Sullivan County

We have audited certain operations of Sullivan County in fulfillment of our duties under Section 29.230, RSMo. In addition, Lisa C. Wright, LLC, Certified Public Accountant, was engaged to audit the financial statements of Sullivan County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

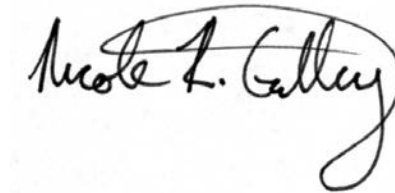
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Sullivan County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M. Acct., CPA, CGAP
Audit Manager:	Travis Owens, MBA, CPA, CFE, CGAP
In-Charge Auditor:	Jennifer Anderson
Audit Staff:	Devin Jackson
	Xun Chen

Sullivan County Management Advisory Report State Auditor's Findings

1. Public Administrator's Controls and Procedures

Controls and procedures in the Public Administrator's office need improvement. The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Circuit Court, Probate Division. As of December 31, 2015, the Public Administrator was responsible for the financial activity of 26 individuals.

1.1 Annual settlements

The Circuit Court, Probate Division does not sufficiently review the activity of cases assigned to the Public Administrator. In addition, supporting documentation was not maintained for all disbursements, and 2 annual settlements prepared by the Public Administrator's office did not include some assets of the estate.

- The court's review of disbursements on annual settlements is limited to verifying the accuracy of amounts reported by reviewing copies of canceled checks included as part of the bank statements. In addition, the Public Administrator did not file supporting documentation with the Circuit Court, Probate Division when filing annual settlements. Without additional supporting documentation such as invoices, the court cannot be certain of the purpose and appropriateness of the expenses.
- The Public Administrator could not provide adequate supporting documentation such as invoices for numerous disbursements.
- Some ward assets were not included for 2 annual settlements reviewed. A vehicle purchased in 2011 was not included in the ward's annual settlement, and the contents of a safe deposit box for another ward were not included in the annual settlement but may need to be included if the contents have a cash value. The Public Administrator indicated she did not have a key to the box and did not know the contents in it. The Circuit Court, Probate Division's review of annual settlements filed by the Public Administrator did not detect either of these issues, though payments for the vehicle loan and fees for the safe deposit box were reported on the annual settlements.

Without proper supporting documentation, it is difficult for the court to assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring supporting documentation be filed with the court and reviewed in conjunction with the annual settlements. In addition, the Public Administrator should file complete and accurate annual settlements and the court should perform adequate reviews of the annual settlements.

1.2 Bank reconciliations and checks

The Public Administrator did not perform bank reconciliations, and checks were not always issued in sequence. For one estate, checks were not issued in sequential order because the Public Administrator used two checkbooks



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simultaneously. In addition, we noted one issued check and several voided checks had not been entered in the checkbook register.

Monthly bank reconciliations are necessary to ensure the bank activity and accounting records are in agreement, and to identify errors timely. Additionally, to ensure accurate records, checks should be issued in numerical sequence and an accurate checkbook register maintained.

A similar condition was noted in our prior audit report.

Recommendations

The Public Administrator:

- 1.1 Prepare annual settlements that adequately detail and report all assets, and retain adequate supporting documentation for all disbursements. In addition, the Circuit Judge, Probate Division, establish procedures to adequately monitor the activity of cases assigned to the Public Administrator, and require supporting documentation such as invoices to be filed with the court for the annual settlement.
- 1.2 Prepare monthly bank reconciliations for all accounts and ensure checks are issued in numerical sequence and properly accounted for in the checkbook register.

Auditee's Response

The Public Administrator provided the following responses:

- 1.1 *I plan to purchase and start using a scanner so that I can maintain electronic copies of invoices, receipts, or other supporting documentation for disbursements. I will provide such documentation to the court when filing annual settlements in accordance with their request. In the future, I will ensure all assets of the ward are reported on the annual settlements and I will determine how to access the safe deposit box to verify the contents.*
- 1.2 *I plan to purchase accounting software to assist with maintaining bank records for all wards. I will prepare monthly bank reconciliations for each account. In the future, I will ensure checks are issued in numerical sequence and all checks, including voided checks, are entered in the checkbook register.*

The Circuit Judge, Probate Division, provided the following response:

- 1.1 *The Probate Clerk has requested invoices for some items in the past, but we agree there is no audit trail of this review of invoices. In the future, we will require a check box on the annual settlement to indicate that invoices over \$75 were obtained from the Public*



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Administrator and reviewed to ensure all disbursements are appropriate.

2. Property Tax System and County Collector-Treasurer's Controls and Procedures

The property tax system and the County Collector-Treasurer's controls and procedures need improvement. The office processed tax collections and other revenues of approximately \$6.2 million during the year ended February 29, 2016.

2.1 Review of activity

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. Although the County Clerk maintains files of tax charges, additions and abatements, and the County Collector-Treasurer's monthly settlements, the County Clerk does not use this information to create an account book. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy and completeness of the County Collector-Treasurer's annual settlements. Thus, the error noted in section 2.2 was not detected and corrected on the County Collector-Treasurer's annual settlement approved by the County Clerk and the County Commission. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector-Treasurer are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector-Treasurer's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

A similar condition was noted in our prior audit report.

2.2 Distributions of township collections

The County Collector-Treasurer has not disbursed property taxes collected for the abolished townships since March 2015. Undistributed township property taxes collected totaled approximately \$61,000 as of February 29,



Sullivan County Management Advisory Report - State Auditor's Findings

2016, and these monies continue to accumulate in the County Collector-Treasurer's main account.

In April 2015, Sullivan County voters approved abolishing the township form of government. Each of the 12 townships turned over all cash and investments, as well as any liabilities, to Sullivan County, and Sullivan County took over all road and bridge duties from the townships. Although the townships no longer exist, the County Collector-Treasurer is still charged with collecting delinquent property taxes levied by the townships in previous tax years. In addition, the annual settlement for the year ended February 29, 2016, listed the township tax collections as being disbursed even though this had not occurred.

To help ensure county officials can adequately monitor the county's financial condition and make accurate budgeting decisions, all monies due to the county should be disbursed timely. Additionally, the County Collector-Treasurer should file complete and accurate annual settlements.

2.3 Voided transactions

The County Collector-Treasurer's computer system cannot generate a detailed report of voided or deleted transactions and adequate documentation is not retained to support such transactions.

Retaining documentation to support voided or deleted transactions helps ensure such transactions are appropriate and reduces the risk of errors, loss, theft, or misuse of funds.

Recommendations

- 2.1 The County Clerk maintain an account book with the County Collector-Treasurer. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector-Treasurer's annual settlements.
- 2.2 The County Collector-Treasurer ensure all collections are disbursed timely and prepare complete and accurate annual settlements.
- 2.3 The County Collector-Treasurer retain documentation of all voided and deleted transactions and work with the computer programmer to develop a voided and deleted transaction report that can be periodically compared to supporting documentation.

Auditee's Response

The County Clerk and County Commission provided the following response:

- 2.1 *The County Clerk has contacted other county clerks to gain a better understanding of how they maintain account books and use them to verify the accuracy of the annual settlements. The County Clerk will prepare and maintain an account book and use it to verify the*



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amounts reported on the annual settlement. The account book will be made available to the County Commission. The error noted in section 2.2 will not occur in future years because the County Collector-Treasurer has now distributed township collections to county funds and will continue to make disbursements monthly.

The County Collector-Treasurer provided the following responses:

- 2.2 *Accumulated township collections were distributed to the county's Special Road and Bridge Fund in September 2016. Future collections will continue to be distributed monthly. This was an unusual situation, which required discussion, research, and input from the County Clerk to determine which county fund to deposit the monies. In the future, I will ensure all collections are disbursed timely and reported correctly on the annual settlement.*
- 2.3 *All employees who process property tax collections are now retaining manual records of any voided or deleted transactions to ensure a proper audit trail. We will work with the programmer to see if a system report can be created to track voided and deleted transactions, which will include comments explaining the reason for the voided or deleted transaction. If the report can be generated, it will be periodically generated and compared to supporting documentation.*

3. Prosecuting Attorney's Controls and Procedures

Controls and procedures in the Prosecuting Attorney's office need improvement. The Prosecuting Attorney's office collected approximately \$15,000 in bad check and court-ordered restitution and fees during the year ended December 31, 2015.

3.1 Segregation of duties

The Prosecuting Attorney has not adequately segregated accounting duties or performed documented supervisory reviews of detailed accounting and bank records. One clerk receives, records, and deposits monies received; prepares checks; and reconciles the bank account. As a result, there is little assurance that all monies received are properly recorded, deposited, and disbursed to the appropriate parties.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits.



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3.2 Receipts and deposits

Monies received are not recorded and deposited timely. The clerk records receipts when preparing a deposit. Deposits are typically made 2-3 times per month. For example, 3 deposits occurred in August 2015 and averaged \$686.

To safeguard receipts and to reduce the risk of loss, theft, or misuse of monies received, procedures should be established to ensure all monies received are recorded immediately and deposited timely.

3.3 Outstanding checks

The Prosecuting Attorney has not established procedures to routinely follow up on outstanding checks. As of May 31, 2016, 127 checks totaling \$3,339 had been outstanding for over a year, with some checks dating back to 1999.

Procedures to routinely follow up on outstanding checks are necessary to prevent the accumulation of monies in the account and ensure monies are appropriately disbursed to the payee or as otherwise provided by state law.

3.4 Administrative fees

Administrative handling cost fees collected by the Prosecuting Attorney's office are not always in compliance with state law. The Prosecuting Attorney collected administrative handling cost fees and fees for the Missouri Office of Prosecution Services totaling approximately \$2,900 during the year ended December 31, 2015.

We reviewed recent case activity for 5 defendants and identified 2 defendants had been overcharged for the administrative handling cost fee on 3 cases. These defendants were assessed a fee of \$95 per check on 3 bad checks, while the maximum statutorily authorized fee was limited to \$75 per bad check. In each of these 3 cases, the bad check amount was \$1,000 or more.

Section 570.120.5, RSMo, states the Prosecuting Attorney shall collect an administrative handling cost on bad checks. The cost shall be \$25 for checks of less than \$100, and \$50 for checks of \$100 but less than \$250. For checks of \$250 or more an additional fee of 10 percent of the face amount shall be assessed, with a maximum fee for administrative handling costs not to exceed \$75.

Recommendations

The Prosecuting Attorney:

- 3.1 Segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed.
- 3.2 Ensure all monies are recorded and deposited timely.
- 3.3 Establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees



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that can be readily located. If payees cannot be located, the monies should be disbursed in accordance with state law.

- 3.4 Ensure administrative handling cost fees assessed comply with state law.

Auditee's Response

- 3.1 *I agree that accounting duties need to be segregated more than they were at the time of the audit. A serious limitation to further segregation is the fact that the Office of the Prosecuting Attorney is staffed by a part-time prosecutor and one full-time employee.*

In an attempt to work around this limitation, negotiations have been started with the County Collector-Treasurer to establish a new procedure in which the County Collector-Treasurer's office will receive, receipt, and deposit money paid for bad checks and restitution. To the extent possible, the remaining duties of recording payments in our records, disbursing funds received, and reconciling the bank account will be segregated between the part-time prosecutor and the full-time employee in the Prosecuting Attorney's office in a manner that will reduce the risk of loss, theft, or misuse of funds collected for bad checks and restitution.

If it is not possible to cooperate with the County Collector-Treasurer's office to segregate the duties of receiving, receipting, and depositing funds, then the Prosecuting Attorney will take over the duties of depositing the funds and reconciling the account. An independent third party will then be enlisted to review the detailed accounting and bank records, though this will likely result in an additional expense that will likely further reduce funds available to the office to perform its essential prosecuting responsibilities.

- 3.2 *I agree that all monies received should be recorded and deposited timely.*

If it is possible to enter into an agreement with the County Collector-Treasurer's office to receive, receipt, and deposit monies collected for bad checks and restitution, then monies collected will be receipted and deposited by the County Collector-Treasurer's office the same day as they are received. Otherwise, procedures within the Prosecuting Attorney's office will be changed to prioritize the receipt, recording, and deposit of monies the same day they are received.

- 3.3 *I agree with these recommendations. Many changes have been made to the standard operating procedures of the Office of the Prosecuting Attorney since I took office on January 1, 2015.*



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The current outstanding checks have been reviewed. The outstanding checks to existing businesses will be reissued and hand-delivered to the business along with an explanation of why the check was reissued. For businesses that are no longer operational, steps are currently being taken to identify the individual or corporation who owned the business at the time the original bad check was received or the individual or corporation that bought or otherwise took over the assets of the now defunct business. We will then reissue checks to those businesses or individuals.

Ongoing business practices have been changed. All outstanding checks will be reviewed annually on or around June 30. Reasonable and necessary steps will be taken to contact the payee to determine the status of the outstanding check and, if necessary, reissue the check.

Before November 1 of each year, outstanding checks that exceed the statutory abandonment period will be reported and sent to the Missouri State Treasurer pursuant to the Uniform Disposition of Unclaimed Property Act and procedures established by the Missouri State Treasurer.

3.4 *I agree with these recommendations. The Auditor's Office has identified a mistake or an error in the software program used by the office to process bad checks.*

The Prosecuting Attorney's office is in the process of changing software programs and will ensure that the data fields of the new software system include the proper administrative handling costs as set for in Section 570.120.5, RSMo.

In addition, we will perform a review of all bad checks we collected on since August 28, 2005 (the effective date of amendments affecting the amounts collectable as administrative handling costs as set forth in H.B. 353). This review will ensure the correct amounts were assessed and collected as administrative fees. If fees collected for any of these checks exceeded the statutorily allowed amounts, then the overcharges will be refunded.

4. Sheriff's Controls and Procedures

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office processed receipts for bonds, conceal carry weapon permits, civil paper service, and other miscellaneous receipts totaling approximately \$88,000 during the year ended December 31, 2015.

4.1 Segregation of duties

The Sheriff has not adequately segregated accounting duties and does not perform an adequate supervisory review of detailed accounting and bank



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records. The Sheriff's secretary is primarily responsible for receipting, recording, and depositing monies; making disbursements; and preparing bank reconciliations and the monthly fee report. The Sheriff reviews and initials the monthly bank reconciliation, but does not review accounting records including detailed receipt and disbursement records.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits.

4.2 Seized property

A physical inventory of seized property has not been performed, the seized property records maintained are not accurate, and there is no master list of seized property. For example, the property records indicated multiple items were on hand related to 2 cases; however, the items could not be located at the time of our review. The Sheriff subsequently provided documentation indicating the items should not have been on hand or included in the seized property records because the cases had been resolved and the items returned to the owners. Also, the seized property records did not include a description of the item for one case. Instead of using a master log of seized property, the Sheriff manually logs seized property for each case and inserts the handwritten log in a binder. In addition, some seized property has been held for years and the Sheriff indicated his office has not periodically disposed of items no longer needed.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the property. Periodic physical inventories should be performed and the results compared to inventory records to ensure seized property is accounted for properly. Section 542.301, RSMo, provides the requirements for the disposition of seized property that has not been forfeited or returned to the claimant.

Recommendations

The Sheriff:

- 4.1 Segregate accounting duties or ensure documented supervisory reviews of detailed accounting and bank records are performed.
- 4.2 Ensure a periodic physical inventory is conducted and reconciled to seized property records, and investigate any differences. Also, the Sheriff should maintain accurate seized property records, create a master log of seized property, and make timely and appropriate dispositions of seized property.



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Auditee's Response

- 4.1 *I agree with the recommendation and will document my reviews of accounting and bank records on a test basis. This will include reviews of individual deposits.*
- 4.2 *I am considering various improvements to controls over seized property, which will include consideration of the procedures suggested by the auditors. I have attempted to obtain court orders for disposal of seized property, and will again attempt to obtain court orders.*

5. Sunshine Law

The County Commission did not prepare minutes for both closed meetings held during the year ended December 31, 2015, and the agenda for one meeting did not include advanced notice of a closed meeting. The County Commission generally meets once per week.

Without minutes of closed meetings, it cannot be determined that discussion was limited to the topics cited as the reason for closing the meetings. Section 610.020.7, RSMo, requires minutes be kept for all closed meetings. Sections 610.020 and 610.022, RSMo, requires the county to give notice at least 24 hours in advance of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to advise the public of the matters to be considered.

Recommendation

The County Commission ensure minutes are prepared and retained for all closed meetings. In addition, provide proper notification and agendas for public meetings.

Auditee's Response

The County Commission rarely holds closed session meetings. In the future, we will maintain separate minutes for closed meetings and ensure agendas contain advanced notice of closed sessions. These were unintentional errors, and we are committed to full compliance with the Sunshine Law.

6. Electronic Data Security

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

6.1 Passwords

The County Collector-Treasurer, County Assessor, County Clerk, Recorder of Deeds, Prosecuting Attorney, Public Administrator, and the Sheriff have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent on keeping them confidential. However, since passwords do not have to be periodically changed by employees in



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these offices, there is less assurance they are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

6.2 Backup data

The Sheriff does not periodically test backup files and does not store backup files at an off-site location. Failure to store computer backup data at a secure off-site location results in the data being susceptible to the same damage as the data on the computer.

To help prevent loss of information and ensure essential information and computer systems can be recovered, backup data should be tested on a periodic basis and stored at a secure off-site location.

Recommendations

The County Commission work with other county officials to:

- 6.1 Require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.
- 6.2 Ensure backup data is tested on a regular, predefined basis, and stored in a secure off-site location.

Auditee's Response

We agree with the recommendations, and plan to draft and implement a written policy to govern electronic data security across all county offices.

7. Contracted Labor

The county did not document the reasons for classifying a grant coordinator for disaster recovery projects and the Sheriff's secretary as independent contractors rather than employees. For the year ended December 31, 2015, these individuals were paid \$10,000 and \$12,050, respectively.

The county did not withhold payroll and income taxes from payments made to these individuals. In addition, they are not required to submit monthly timesheets and/or invoices to document hours worked, and the county compensates them at a flat monthly rate.

Proper classification of employees is necessary to ensure compliance with various state and federal laws and regulations. The failure to withhold and properly report payroll and income taxes for county employees makes the county potentially subject to additional tax liabilities along with penalties and interest. For employees, the Internal Revenue Service requires employers to report compensation on W-2 forms and withhold and remit income and payroll taxes. Additionally, procedures should be established to ensure payroll payments are adequately supported by invoices or timesheets.



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Recommendation

The County Commission ensure persons are properly classified as employees or independent contractors in compliance with state and federal laws and regulations, and all employee compensation paid is subject to proper withholdings and properly reported. Additionally, proper supporting documentation should be obtained and approved prior to payment.

Auditee's Response

The grant coordinator position is temporary, and he was hired due to specialized knowledge. The Sheriff's secretary is retiring, and we do not plan to continue using contract labor in that office. We will seek legal advice on how to make these determinations in the future, and ensure adequate documentation is maintained to support our decisions. We will continue to discuss and determine the best approach to establishing the pay structure for independent contractors, and require them to submit documentation of services provided.

Sullivan County

Organization and Statistical Information

Sullivan County is a county-organized, third-class county. The county seat is Milan.

Sullivan County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 34 full-time employees (including elected officials) and 11 part-time employees on December 31, 2015.

In addition, county operations include a 911 Board, Senior Services Board, Sullivan County Memorial Hospital Board, and a Law Enforcement Restitution Fund Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
Chris May, Presiding Commissioner	\$	24,440
John Watt, Associate Commissioner		22,440
Danny Busick, Associate Commissioner		22,440
Peggy Sloan, Recorder of Deeds		34,000
Jackie Morris, County Clerk		34,000
Brian Keedy, Prosecuting Attorney		41,000
Roger Smiley, Sheriff		39,000
Paul Ruschmeier, County Coroner		9,500
Joan Brummitt, Public Administrator		25,000
Jennifer Hollon-Russell, County Collector-Treasurer, year ended March 31,	34,000	
Karen LaFaver, County Assessor, year ended August 31,		34,000



Office of Missouri State Auditor
Nicole Galloway, CPA

Caldwell County



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Caldwell County

Detention Center's Controls and Procedures	The Caldwell County Detention Center's (CCDC) procedures for receipting, recording, and depositing inmate and commissary monies are not sufficient to ensure all inmate collections are accounted for properly. Inmate monies are not deposited intact or timely and some inmate money is held in cash to make refunds upon release. The Sheriff has not adequately segregated accounting duties, performed documented supervisory reviews of detailed accounting and bank records, or limited access to certain financial transactions to only certain staff. No procedure is in place to ensure all manual receipt slips issued are subsequently posted to a kiosk, and for some bonds, the manual receipt slip is not posted to the system because the bond is transmitted to the Sheriff's office bookkeeper and not tracked in the inmate system. CCDC personnel do not make timely disbursements to the County Collector-Treasurer for commissions earned from the telephone provider and net proceeds earned from operating the commissary. The CCDC does not prepare a monthly lists of liabilities for the commissary account, and consequently, liabilities are not compared to the reconciled bank account balance.
Electronic Data Security	The Prosecuting Attorney and the CCDC have not established adequate password controls to reduce the risk of unauthorized access to computers and data. The County Collector-Treasurer and all employees share a user account and password. The CCDC does not have security controls in place to lock computers after a certain period of inactivity.
Seized Property	The Sheriff's office has not conducted a periodic inventory of seized property since May 2014, after the Sheriff identified a theft of some seized property had occurred the month before.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our Web site: auditor.mo.gov

Caldwell County

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
Officeholders of Caldwell County

We have audited certain operations of Caldwell County in fulfillment of our duties under Section 29.230, RSMo. In addition, Lisa C. Wright, LLC, Certified Public Accountant, was engaged to audit the financial statements of Caldwell County for the 2 years ended December 31, 2015. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2015. The objectives of our audit were to:

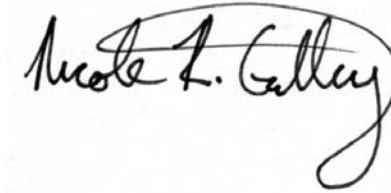
1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Caldwell County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Ruben Lara
	Alex Bruner, MBA

Caldwell County Management Advisory Report State Auditor's Findings

1. Detention Center's Controls and Procedures

Controls and procedures at the Caldwell County Detention Center (CCDC) need improvement.

The Sheriff operates a 128 bed facility, housing inmates for the following entities: Caldwell County, United States Marshals Service (USMS), United States Immigration and Customs Enforcement (ICE), and neighboring cities and counties. CCDC personnel maintain inmate monies and operate a commissary for inmates to purchase various snacks and personal items, as well as phone cards, access to email and video visitation, and electronic cigarettes. Commissary orders are placed electronically with a vendor and the goods are delivered to the CCDC for distribution to inmates, except electronic cigarettes, which are maintained and distributed by CCDC personnel.

Electronic records of individual inmate account receipts, disbursements, and balances are maintained. Cash in the possession of any inmate at the time of booking is deposited into a kiosk in the booking area by detention center personnel. If the kiosks are not operating or a check or money order is in the inmate's possession, a manual receipt slip is issued and the amount received is manually entered into the system by CCDC personnel. Inmates can also have amounts added to their account by debit or credit card through a website operated by the vendor, through cash deposits into a kiosk in the lobby, or by a check or money order received on their behalf. CCDC personnel maintain most inmate monies in the commissary bank account; however, some cash is always maintained in the CCDC administrative area in a bank bag. Cash in the possession of an ICE inmate when booked is deposited to the booking kiosk, but an equivalent amount of cash is taken from the bank bag to put in an inmate envelope stored in a safe. The Sheriff indicated ICE inmate monies are maintained in cash because the ICE prefers inmates receive cash upon release. ICE inmates are frequently deported upon release, and it is easier for them to negotiate cash than checks. When an ICE prisoner is released, the commissary bookkeeper reviews the inmate's account records in the system to determine his/her account balance. If the balance exceeds the cash in the inmate's envelope the difference is taken from the bank bag and added to the envelope and the cash is distributed to the inmate.

In addition, cash bonds are also received and processed by CCDC personnel and are handled in one of two ways. Bonds for Caldwell County inmates are transmitted in cash to the Sheriff's office and bonds received for other jurisdictions are deposited into a kiosk and paid out by check. Activity within the kiosks are tracked by sessions. When cash is removed from a kiosk, the current session is to be closed and after removal, a new session opened. All cash removed from the kiosks, along with checks and money orders received for inmates, are placed in the bank bag.



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1.1 Receipting and depositing

Procedures for receipting, recording, and depositing inmate and commissary monies are not sufficient to ensure all inmate collections are accounted for properly. Commissary bank account deposits totaled approximately \$255,000 during the year ended December 31, 2015.

Large amounts of cash are received and processed through the booking area and lobby kiosks; however, prenumbered receipt slips are not issued for these transactions. The system assigns a transaction number to each cash entry, but these numbers are not unique to the CCDC. Manual receipt slips are sometimes used for cash receipts when the system is not operating and a kiosk cannot be used, but controls are not in place to ensure all manual receipt slips are posted to the system (see section 1.3).

When a kiosk session is closed and the money is removed from the kiosk, no comparison of the cash removed to the session transaction detail report is performed to ensure the amount removed agrees to the amount deposited. A May 2, 2016, cash count determined \$5,475 on hand, of which \$4,111 was cash. We were unable to agree the cash on hand to transaction detail reports from the system.

Inmate monies are not deposited intact or timely, and some ICE inmate monies are held in cash. While monies, including cash, are received almost daily, only 28 deposits to the inmate commissary account occurred during 2015. Some deposits were more than a month apart. A deposit occurred on December 19, 2014, which included cash, and then no cash was deposited until February 6, 2015, even though another deposit happened on January 16, 2015. A deposit occurred on February 27, 2015, which included no cash, and the next deposit happened on May 4, 2015. Based on when deposit records indicate cash was deposited, we attempted to account for cash receipts during the period December 19, 2014, through February 5, 2015. A deposit was made to the commissary account on February 6, 2015, totaling \$8,567, which included \$6,677 of cash. Deposit records did not provide sufficient detail to determine which cash receipts were included in the deposit. In addition, checks and money orders received and posted to the system were not deposited intact. Twenty-three checks and money orders receipted during the period January 6 through January 21, 2015, totaling \$1,664, were not deposited until February 27, 2015, although deposits occurred on January 16, 2015, and February 6, 2015.

The bookkeeper indicated she made deposits when the bank bag became full. At that time, she would remove a portion of the contents (some checks and money orders and some cash) and prepare whatever was removed for deposit. A large amount of cash was always retained to ensure sufficient cash was available to make refunds to ICE inmates upon their release; however, the amount kept on hand was never indicated in the records.



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Due to the poor records and procedures in place for handling inmate monies and because there is no documentation of the monies retained in the bank bag, we were unable to determine if all cash received was accounted for properly during our test period. We noted similar problems for other periods reviewed.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact and timely. The Sheriff should consult with the ICE to establish alternative procedures for maintaining cash for ICE inmate releases. Consideration should be given to maintaining a cash fund, on an imprest basis, to maintain and disburse funds for ICE inmate releases. To ensure all receipts are properly accounted for and deposited, the composition of monies received should be reconciled to the composition of deposits. In addition, sufficient details should be provided in the accounting records to facilitate a reconciliation of deposits to the receipt and inmate records

1.2 Segregation of duties

The Sheriff has not adequately segregated accounting duties, performed documented supervisory reviews of detailed accounting and bank records, or limited access to certain financial transactions to only certain staff. Any CCDC personnel can receive or record payments. In addition to receiving and recording duties, the bookkeeper is also responsible for depositing and disbursing monies. As a result, there is little assurance that all monies received are properly recorded, deposited, and disbursed to the appropriate parties.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed accounting and bank records are essential and should include comparing daily receipt activity to deposits.

1.3 Manual receipt slips

No procedure is in place to ensure all manual receipt slips issued are subsequently posted to a kiosk, and for some bonds, the manual receipt slip is not posted to the system because the bond is transmitted to the Sheriff's office bookkeeper and not tracked in the inmate system. Personnel also indicated that occasionally a family member of an ICE inmate will bring in a cash payment after the inmate's account has been closed because they are being released. In those cases, the manual receipt slip is not posted to the kiosk and the cash is simply added to the amount the system indicates needs to be paid out upon the inmate's release. In addition, some of the manual receipt slips issued from the four different receipt slips books used in 2015 were unreadable and we could not determine if they were posted to a kiosk.



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Management Advisory Report - State Auditor's Findings

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify receipts have been recorded in a kiosk on a timely basis and deposited.

1.4 Commissary transmittals CCDC personnel do not make timely disbursements to the County Collector-Treasurer for commissions earned from the telephone provider and net proceeds earned from operating the commissary. During 2015, the bookkeeper only disbursed commissary monies to the County Collector-Treasurer 3 times, totaling \$112,034. No documentation was available to support the amounts disbursed and the bookkeeper indicated the payments made in 2015 occurred when the account balance was getting too large. Phone commissions received monthly from the telephone provider are not deposited by CCDC personnel, but are transmitted to the County Collector-Treasurer. These transmittals, totaling approximately \$23,000 during 2015, did not occur timely. For example, personnel made 2 transmittals on January 9, 2015, none for more than 3 months, and 2 on April 30, 2015. Phone commission checks should be transmitted monthly as received.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, all remaining monies, as well as future commissions and profits, should be disbursed to the County Collector-Treasurer monthly. Section 50.370, RSMo, requires county officials to turn over all fees to the County Collector-Treasurer monthly. In addition, Section 221.102, RSMo, requires each county jail to keep revenues from its commissary in a separate account and pay for goods and other expenses from that account, and requires deposit of the remaining funds (net proceeds) into the county Inmate Prisoner Detainee Security Fund held by the County Collector-Treasurer.

1.5 Liabilities The CCDC does not prepare a monthly lists of liabilities for the commissary account, and consequently, liabilities are not compared to the reconciled bank account balance. The reconciled bank balance for the commissary account at December 31, 2015, was \$31,623. We worked with the commissary software system vendor and obtained a listing of liabilities from the system that showed total liabilities (amounts held for inmates and amounts due the vendor for commissary orders) were \$12,100. The remaining balance, \$19,523, represents net proceeds (commissary profit).

Monthly lists of liabilities should be prepared and reconciled to the available cash balances to ensure records are in balance, errors are detected and corrected timely, and sufficient funds are available for payment of all liabilities. Any differences should be promptly investigated and resolved, and any unidentified monies should be disposed of in accordance with state law.



Caldwell County
Management Advisory Report - State Auditor's Findings

Corrective Action

We discussed the problems addressed in finding sections 1.1, 1.2, and 1.3 with the Sheriff and CCDC personnel during audit fieldwork. Personnel began implementing new recordkeeping and review procedures soon after these meetings.

Recommendations

The Sheriff:

- 1.1 Ensure all receipts are deposited intact and timely, and work with the ICE to establish alternative procedures for maintaining cash for inmate releases. The Sheriff's department should ensure receipt and deposit records are adequately detailed, and the composition of monies received should be reconciled to the composition of deposits.
- 1.2 Segregate accounting duties or ensure documented supervisory or independent reviews of detailed accounting and bank records are performed.
- 1.3 Ensure manual receipt slips are recorded in a kiosk timely and accounted for properly by someone independent of the receipt process.
- 1.4 Ensure existing and future commissary net proceeds and phone commissions are disbursed/transmitted timely to the County Collector-Treasurer for deposit in the Inmate Prisoner Detainee Security Fund.
- 1.5 Ensure monthly lists of liabilities are prepared and reconciled to the cash balances monthly. Any differences should be promptly investigated and resolved.

Auditee's Response

- 1.1 *Cash handling procedures at the Detention Center have been completely overhauled since the audit was conducted. All cash is now removed daily from the kiosks and all monies on hand from inmates are deposited intact daily. We have established a petty cash fund, which is maintained at a constant amount, to use for making cash refunds to ICE inmates upon release. Receipt slips are adequately detailed now and are attached to daily receipt totals from the kiosks to clearly show all monies received were deposited. Supervisory reviews of the daily deposits are now performed. Since the last state audit, we have had an increase in ICE inmates being held in our jail and have had significant staff changes, including multiple administrators, which has contributed to the problems identified by the auditors. We have already added another administrative person to help with the volume of work and to ensure all monies handled are accounted for properly.*



Caldwell County
Management Advisory Report - State Auditor's Findings

- 1.2 *Procedures have been changed and supervisory reviews of accounting and bank records are now being performed.*
- 1.3 *We have improved procedures for handling manual receipts and they are now all entered into the system and the transaction number is recorded on the manual receipt. Supervisory review of these transactions is now performed daily.*
- 1.4 *We are now turning over net proceeds and phone commission checks to the County Collector-Treasurer on a monthly basis.*
- 1.5 *We are now printing these lists and comparing to the reconciled balance monthly.*

2. Electronic Data Security

2.1 Passwords and user names

Controls over county computers are not sufficient to prevent unauthorized access. As a result, county records are not adequately protected and are susceptible to unauthorized access.

The Prosecuting Attorney and the CCDC have not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices are not required to change passwords periodically to help ensure passwords remain known only to the assigned user. In addition, the County Collector-Treasurer and all employees in that office share a user account and password to access a computer for payment of taxes.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords do not have to be periodically changed and/or are shared by employees, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

2.2 Security controls

The CCDC does not have security controls in place to lock computers after a certain period of inactivity.

Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.



Caldwell County
Management Advisory Report - State Auditor's Findings

Recommendations

The County Commission:

- 2.1 Work with county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data.
- 2.2 And the Sheriff require the CCDC computers to have security controls in place to lock the computer after a certain period of inactivity.

Auditee's Response

The County Commission provided the following responses:

- 2.1 *We have contacted our IT provider and are working to resolve these concerns.*
- 2.2 *We will discuss this issue with the Sheriff and ensure this is corrected.*

The Sheriff provided the following responses:

- 2.1 *We will contact our IT provider to have them help us establish procedures for periodically changing passwords.*
- 2.2 *This recommendation has been implemented.*

3. Seized Property

The Sheriff's office has not conducted a periodic inventory of seized property since May 2014. In April 2014 the Sheriff identified a theft of some seized property had occurred and subsequently, reviewed and strengthened controls over the property. One of the procedure changes now requires the Chief Deputy to perform periodic inspections of the seized property room, which the Sheriff indicates have been done, but there is no documentation to support the inspections. In addition to the random inspections, a full inventory of all seized property should be performed at least annually by an independent person.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the stored items. Periodic physical inventories should be performed and the results compared to the inventory records to ensure seized property and evidence are accounted for properly.

Recommendation

The Sheriff ensure documentation is maintained for any inspections performed of the seized property room and require periodic (at least annually) physical inventories be performed.



Caldwell County
Management Advisory Report - State Auditor's Findings

Auditee's Response

The implementation of unscheduled periodic inspections of the seized property room is now in place and already being utilized and I will ensure documentation of these inspections is maintained in the future. I will discuss with my Chief Deputy the best way to implement performing annual inventories of seized property.

Caldwell County

Organization and Statistical Information

Caldwell County is a township-organized, third-class county. The county seat is Kingston.

Caldwell County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 73 full-time employees (including elected officials) and 8 part-time employees on December 31, 2015. The townships maintain county roads.

In addition, county operations include the Little Otter Creek Board (a watershed project board) and Senior Citizens Board.

Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2016	2015
C.R. (Bud) Motsinger, Presiding Commissioner	\$	28,968
Donald Raymond Cox, Associate Commissioner		26,928
Gerald McBrayer, Associate Commissioner		26,928
Julie Hill, Recorder of Deeds		40,800
Beverly Bryant, County Clerk (1)		41,186
Brady C. Kopek, Prosecuting Attorney		47,940
Jerry Galloway, Sheriff		44,880
Dana Brown, County Coroner		12,240
Richard Lee, Public Administrator		25,502
June Grooms, County Collector-Treasurer (2), year ended March 31,	42,008	
Beverly Alden, County Assessor, year ended August 31,		40,800

- (1) Includes \$386 of commissions earned for preparing city property tax books.
(2) Includes \$1,208 of commissions earned for collecting city property taxes.



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

**Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division**

Report No. 2016-140
December 2016

auditor.mo.gov

Twenty-First Judicial Circuit

City of Pine Lawn Municipal Division

Follow-Up Report on Audit Findings - Table of Contents

State Auditor's Letter

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*Includes selected findings



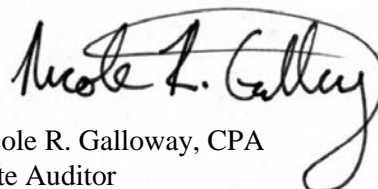
NICOLE GALLOWAY, CPA
Missouri State Auditor

Presiding Judge
Twenty-First Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Pine Lawn, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-041, *Twenty-First Judicial Circuit, City of Pine Lawn Municipal Division* (rated as Poor), issued in June 2016, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the municipal division about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the municipal division, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by municipal division and city officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the officials included bank statements, monthly reports, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during November 2016.



Nicole R. Galloway, CPA
State Auditor

Twenty-First Judicial Circuit

City of Pine Lawn Municipal Division

Follow-Up Report on Audit Findings - Status of Findings

- | | |
|---------------------------------------|---|
| 1. Accounting Controls and Procedures | Accounting controls and procedures needed improvement. |
| 1.1 Electronic payments | The municipal division did not have adequate procedures in place to ensure all electronic payments received were deposited. |

The municipal division used a vendor to process receipt of electronic payments (credit/debit cards). The vendor notified municipal division personnel of each payment of fines and court costs made by a defendant and direct deposited the payment into the city's General Revenue bank account. The vendor also notified the police department of each bond payment made by a defendant and direct deposited these payments into the bond bank account held by the city. However, neither city, municipal division, nor police department personnel reconciled the electronic payments recorded to amounts direct deposited into the bank accounts to ensure all electronic payments had been processed properly. As a result, 82 bond payments totaling \$15,630 were not deposited into the bond bank account until after our inquiry.

Recommendation

The City of Pine Lawn Municipal Division work with the city and police department to ensure electronic payments are reconciled to deposits in the city's accounts and promptly investigate any differences.

Status

In Progress

The city discontinued police department operations in March 2016. The bond bank account previously held by the city was closed in October 2015 when the balance was transferred to a bank account held by the municipal division. Therefore, the city no longer receives electronic bond monies, eliminating the need for a reconciliation by the city.

The electronic payments of fines and court costs made by a defendant to the court are deposited into the Justice Information System (JIS) bank account. Municipal division personnel enter the payments into the JIS system, and compare the JIS cashier session to the electronic payment notification received from the vendor. The electronic payment notifications are compared to the monthly bank statement to ensure amounts were deposited. We reviewed documentation from October 2016 and verified amounts per the JIS cashier sessions, the vendor notifications, and the October bank statement each matched. Though we did not note any issues with the documentation reviewed, municipal division personnel should initial and date the documentation to indicate by whom and when the review is completed, which they indicated they would begin doing January 2017.



Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division
Follow-up Report on Audit Findings - Status of Findings

1.2 Bank reconciliations

The municipal division did not prepare accurate bank reconciliations for the bond account and has not completed any reconciliations of this account since the former City Treasurer left office in August 2015.

Recommendation

The City of Pine Lawn Municipal Division perform monthly bank reconciliations.

Status

Not Implemented

Complete and accurate bank reconciliations are still not being performed monthly. Effective October 2015, the bond account was closed and the outstanding balance transferred into a new JIS bank account. All court costs, fines, and fees are deposited into this account. Municipal division personnel indicated they utilize a feature in the JIS to perform the monthly bank reconciliation; however, their reconciliation process simply records the ending bank balance from the bank statement into the JIS to determine the difference between the bank statement balance and the system balance. They do not consider any reconciling items necessary to complete the reconciliation. Our review of the October 2016 JIS bank reconciliation noted unreconciled items, including outstanding checks and deposits in transit, were not accurate and not investigated.

1.3 Outstanding checks

The municipal division's procedures to follow up on outstanding checks were not adequate. As of June 30, 2015, the city's records for the bond bank account indicated 64 checks, totaling \$4,998, had been outstanding for over a year. Additionally, the previous Court Administrator transmitted bond refund checks returned as undeliverable to the Unclaimed Property Fund held by the State Treasurer in November 2015. A review of this transmittal determined it included 22 checks totaling \$1,332 that were not listed as outstanding on the June 30, 2015, bank reconciliation but that had been issued prior to that date. As a result, the reconciled bank balance appeared overstated by \$1,332. The transmittal also included 7 checks totaling \$2,146 that had been outstanding for only 3 months as of October 31, 2015. Many additional outstanding checks were not included in the transmittal and required follow-up.

Recommendation

The City of Pine Lawn Municipal Division maintain a complete list of outstanding checks and ensure the bank balance is properly reconciled to the book balance. In addition, utilize established procedures and follow up and resolve outstanding checks timely.

Status

Partially Implemented

Municipal division personnel could not provide a list of outstanding checks, and they do not reconcile the bank balance to the book balance. While they compare the bank balance to the book balance, no attempt is made to



Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division
Follow-up Report on Audit Findings - Status of Findings

investigate any difference between them. No procedure has been established to evaluate and resolve outstanding checks timely. However, bond refund checks returned as undeliverable are now tracked. A second attempt is made to find the original owner before the money is turned over to the state. The municipal division turned over approximately \$1,450 to the State Treasurer's Unclaimed Property Fund on November 1, 2016.

1.4 Bond liabilities

The Court Administrator did not generate a monthly list of liabilities (open bonds) for comparison to the reconciled bond bank account balance and was unable to identify open bonds comprising the account balance.

Recommendation

The City of Pine Lawn Municipal Division prepare monthly lists of liabilities and reconcile the lists to the bank balance, promptly investigate and resolve differences, and establish procedures to review the status of liabilities to determine the appropriate disposition of funds held.

Status

Not Implemented

At the time of our follow-up meeting, the municipal division had taken no steps to implement this recommendation. A monthly list of liabilities is not generated from the JIS; therefore, a reconciliation between a list of liabilities and the bank account balance cannot be performed. Municipal division personnel provided a listing of open bonds at our request; however, we could not determine if the listing was complete and it did not reconcile with the bank balance. The municipal division has not established procedures to review the status of liabilities to determine the appropriate disposition of funds held.

1.5 Accrued costs

Municipal division personnel did not adequately monitor accrued costs owed to the court, including fines and court costs. In addition, there was no follow up on potentially thousands of pending cases not transferred from the Incode system to the JIS. An Incode report of accrued case costs as of March 3, 2016, showed 6,381 cases with accrued case costs totaling approximately \$1 million. However, the accuracy and the completeness of the report was questionable because not all manual cases reviewed were listed. In August 2015, the Municipal Judge recalled 11,000 outstanding warrants. Cases with recalled warrants were to be given new court dates and entered into the JIS. However, court personnel only transferred cases to the JIS when a defendant came in to make a payment. At February 2016 only 1,139 cases with accrued costs were being tracked in the JIS.

Recommendation

The City of Pine Lawn Municipal Division establish procedures to routinely generate and review the accrued costs list for accuracy and properly follow up on all amounts due. In addition, work with the city to identify additional resources to timely transfer the remaining cases from Incode to the JIS.



Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division
Follow-up Report on Audit Findings - Status of Findings

Status

Not Implemented

At the time of our follow-up meeting, the municipal division had taken no steps to implement this recommendation. Procedures to routinely generate and review the accrued costs list for accuracy have not been established, and there has been no follow up on amounts due. Additionally, municipal division personnel have not worked with the city to identify additional resources to timely transfer the remaining cases from Incode to the JIS. As of November 2016, there was still a significant number of cases that had not been transferred to the JIS.

2.1 Municipal Division
Procedures - Municipal
division records

Municipal division records were not maintained in an accurate, complete, and organized manner. Municipal division personnel documented case information for each defendant on backer sheets or dockets maintained in manual case files as well as computerized docket sheets maintained in the case management system. However, information recorded on the backer sheets was very inconsistent, often incomplete, and in some cases blank.

Recommendation

The City of Pine Lawn Municipal Division ensure the proper disposition of cases is documented in manual and electronic records and sufficient documentation is maintained to support all case actions.

Status

Implemented

Municipal division personnel now ensure all documentation is in the case files and agrees to JIS. We reviewed 4 citations written to 1 defendant with a court date in October 2016, and 2 citations written to other defendants with a court date in November 2016. For each case we reviewed the original citation, the court backer sheet, and any documentation maintained to support the case action (i.e. docket sheets, receipts for payments of court costs and/or fines, continuance memos, etc.). Additionally, we reviewed the electronic records using case.net to ensure the manual and electronic records included the proper disposition of the cases. We found no issues with the cases reviewed.

2.2 Municipal Division
Procedures - Prosecutor
approval

The Prosecuting Attorney did not sign all tickets processed by the municipal division and the Prosecuting Attorney's approval of amended or dismissed traffic tickets was not always clearly documented. Additionally, the Court Administrator was allowed to use the Prosecuting Attorney's facsimile signature stamp to nolle pros (dismiss) traffic violations issued for no proof of insurance if the defendant later provided proof of insurance. It was not always possible to determine which official dismissed some violations or that the actions of the Court Administrator were reviewed by the Prosecuting Attorney as neither signed or initialed the actions.



Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division
Follow-up Report on Audit Findings - Status of Findings

Recommendation

The City of Pine Lawn Municipal Division ensure the Prosecuting Attorney signs all tickets and reviews and approves all amended and dismissed tickets. Additionally, the Prosecuting Attorney should discontinue allowing the use of facsimile signatures.

Status

Partially Implemented

The Prosecuting Attorney does not sign all tickets processed by the municipal division. The Court Administrator is no longer authorized to amend or nolle pros traffic violations issued for any reason. Use of a facsimile stamp was not discontinued. A municipal division employee uses the facsimile stamp to add the Prosecuting Attorney's signature to tickets, and the Prosecuting Attorney also uses the stamp. The use of the stamp by multiple individuals makes it impossible to determine who actually applied the facsimile signature and/or reviewed the tickets.

**2.4 Municipal Division
Procedures - Report of
cases heard**

The municipal division did not file a monthly report of cases heard with the city.

Recommendation

The City of Pine Lawn Municipal Division ensure a monthly report of cases heard in the municipal division is prepared and filed with the city in accordance with state law and the Supreme Court Operating Rule.

Status

In Progress

Municipal division personnel are now monthly providing the city the last page of the court's docket, which is signed by the Judge. The municipal division should be providing the docket in its entirety in order to provide the city with information pertaining to all of the cases heard. The Court Administrator indicated she will begin providing the entire docket to the city each month at the end of December 2016.

3. Ticket Accountability

Neither the city police department nor the municipal division adequately accounted for the numerical sequence or ultimate disposition of all tickets issued.

Effective March 11, 2016, the city closed the police department and began contracting with the North County Police Cooperative (NCPC) for law enforcement services.

Recommendation

The City of Pine Lawn Municipal Division work with the police department or the law enforcement cooperative to ensure the numerical sequence and ultimate disposition of all tickets, including voided tickets, is accounted for properly.



Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division
Follow-up Report on Audit Findings - Status of Findings

Status

In Progress

The NCPC provides the municipal division with ticket transmittal tracking forms when the original tickets is sent to the court for processing. Municipal division personnel compare the ticket transmittal tracking forms to the actual tickets to ensure they have received all tickets listed on these forms. However, there are no procedures to ensure all tickets issued by the NCPC are included on the transmittal tracking forms or that all tickets transmitted to the municipal division are properly recorded in the JIS. Municipal division personnel indicated they would begin ensuring all tickets received by the municipal division are entered into the JIS by printing a ticket report from the JIS and matching it to the transmittal forms effective January 2017. In addition, they indicated they will work with the NCPC to determine the most efficient way to confirm all tickets issued are included on the transmittal forms.

4. Monitoring of Excess Revenue

Procedures related to the calculation of excess revenues due the Missouri Department of Revenue (DOR) were not adequate to ensure compliance with state law. The city's calculation included certain items that were not required to be included in the traffic violation revenue total. Also, the city's general operating revenue calculation improperly included revenues restricted for specific purposes and transfers from other funds, and the percentage calculated was not mathematically accurate. As a result, the city's calculation did not accurately assess the excess revenues owed to the DOR. Based on more accurate amounts identified, the city's percentage of general operating revenues from traffic violations was likely approximately 46 percent and more than \$400,000 should have been remitted to the DOR for excess revenue for the fiscal year ended June 30, 2015.

Recommendation

The City of Pine Lawn Municipal Division should work with the city to ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues and court revenues in the calculations. In addition, the Board of Aldermen should recalculate excess revenues for fiscal year 2015, maintain documentation to support the calculations, and make appropriate payments to the DOR for any excess revenues identified.

Status

Not Implemented

At the time of our follow-up meeting, the City of Pine Lawn had taken no steps to gather the appropriate information and recalculate excess revenues for fiscal year 2015, or make appropriate payments to the DOR for any excess revenues. The city has not begun excess revenue calculations for the fiscal year ended June 30, 2016.



Office of Missouri State Auditor
Nicole Galloway, CPA

Summary of County
Audit Findings -
Public Administrator



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Summary of County Audit Findings - Public Administrator

Background	This report was compiled using audit reports issued by the State Auditor between July 2014 and June 2016. The objective of this report was to summarize recent Public Administrator audit issues and recommendations. Findings covering these topics were found in 28 audit reports.
Summary	<p>Audits of Public Administrators noted problems with annual settlements, disbursements, fees and reimbursements, receipting and depositing, bank reconciliations, electronic data security, case disposition, sale of property, case files, written agreements, salary, and Medicaid eligibility.</p> <p>Problems addressed were in as many as 16 reports, while some problems were only noted in one report. Numerous reports included findings related to untimely, incomplete or inaccurate annual and final settlements; lack of supporting documentation for annual settlements and disbursements; lack of oversight and review of annual settlement accuracy and timeliness by the court; inadequate accounting controls and procedures; and failure to properly report asset information to the state. Numerous reports also noted issues with electronic data security including inadequate password controls and backup data procedures.</p>

Due to the nature of the report no rating is provided.

All reports are available on our Web site: auditor.mo.gov

Summary of County Audit Findings - Public Administrator

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

This report was compiled using county audit reports issued between July 2014 and June 2016 (report numbers 2014-047 through 2014-143, 2015-001 through 2015-135, and 2016-001 through 2016-042). This summary excludes county contracted financial statement audits and county follow-up reports issued during this period. The objective of this report was to summarize recent Public Administrator audit issues and recommendations.

The recommendations address a variety of topics including Public Administrator annual settlements, disbursements, fees and reimbursements, receipting and depositing, bank reconciliations, electronic data security, case dispositions, and other issues. The Appendix lists the 28 reports with findings covering these topics.

A handwritten signature in black ink, reading "Nicole R. Galloway", is positioned above the printed name and title.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Kelly Davis, M.Acct., CPA, CFE
In-Charge Auditor:	Robert McArthur II

Summary of County Audit Findings - Public Administrator Management Advisory Report State Auditor's Findings

1. Annual Settlements

1.1 Timely filing

The Public Administrator did not timely file annual settlements or status reports in compliance with state law. In addition, the Public Administrator did not always timely file inventories of assets and/or notify the court of the death of a ward.

Sections 473.540, 475.082, and 475.270, RSMo, require the Public Administrator to file an annual settlement and/or status report with the court for each ward or estate. Section 473.767, RSMo, requires the Public Administrator to deliver property and file necessary settlements prior to leaving his/her term of office. Timely filing of settlements, status reports, inventories of assets, and/or death notices are necessary for the court to properly oversee the administration of cases and reduce the possibility that loss, theft, or misuse of funds could go undetected.

Recommendation

The Public Administrator file annual settlements or status reports timely. In addition, the Public Administrator should timely file inventories of assets and/or notify the court of the death of a ward.

Report source

2014-080 (Andrew County)
2014-081 (Gasconade County)
2014-094 (Texas County)
2014-095 (Webster County)
2014-103 (Lewis County)
2014-113 (Howell County)
2014-120 (Iron County)
2014-127 (Scott County)
2014-136 (Shannon County)
2015-120 (Pemiscot County)
2015-123 (Butler County)
2016-012 (Douglas County)
2016-013 (Dunklin County Public Administrator)
2016-027 (Stone County)

1.2 Complete and accurate

The Public Administrator did not always file complete and accurate annual settlements and the annual settlements did not always include all needed information.

To ensure the financial activity of the wards and/or estates is adequately reported to the court, all receipts, disbursements, and assets should be adequately detailed and recorded on the annual settlements. Complete and accurate settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that loss, theft, or misuse of funds could go undetected.



Summary of County Audit Findings - Public Administrator Management Advisory Report - State Auditor's Findings

Recommendation	The Public Administrator ensure annual settlements are complete and accurate.
----------------	---

Report source	2014-080 (Andrew County) 2014-094 (Texas County) 2014-095 (Webster County) 2014-103 (Lewis County) 2014-129 (Dallas County) 2016-012 (Douglas County) 2016-013 (Dunklin County Public Administrator)
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1.3 Supporting documentation	The Public Administrator did not file supporting documentation for disbursements, such as invoices, vouchers, bank statements, or canceled checks, with the court when filing annual settlements.
------------------------------	---

Section 473.543, RSMo, requires the Public Administrator to submit supporting documentation for all disbursements in excess of \$75 and indicates the court may require supporting documentation for disbursements of less than \$75. Without receiving and reviewing such documentation, the court cannot be assured that the balances reported on the annual settlement are correct, verify the accuracy of receipts and disbursements, or assess the validity and reasonableness of costs charged to and paid by wards of the Public Administrator. Consideration should be given to requiring the Public Administrator file supporting documentation with the court.

Recommendation	The Public Administrator file supporting documentation with annual settlements and the court ensure supporting documentation is filed with the annual settlement.
----------------	---

Report source	2014-095 (Webster County) 2014-103 (Lewis County) 2015-133 (Henry County) 2016-012 (Douglas County) 2016-013 (Dunklin County Public Administrator)
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1.4 Notification	The court did not have procedures to timely notify the Public Administrator prior to the deadline for the annual settlement or status report.
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Sections 473.557 and 475.280, RSMo, require the clerk of the court to notify the conservator or guardian (Public Administrator) of the deadline for the annual settlement.

Recommendation	The court timely notify the Public Administrator of annual settlement or status report deadlines.
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Report source	2014-094 (Texas County)
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Summary of County Audit Findings - Public Administrator Management Advisory Report - State Auditor's Findings

2014-103 (Lewis County)
2014-120 (Iron County)
2014-136 (Shannon County)
2016-012 (Douglas County)
2016-013 (Dunklin County Public Administrator)

1.5 Follow up

The court did not perform timely follow up on annual settlements or status reports not filed by the required date.

Failure to ensure annual settlements and status reports are filed timely increases the risk that loss, theft, or misuse of funds could go undetected.

Recommendation

The court follow up with the Public Administrator on annual settlements or status reports not filed by the required date.

Report source

2014-080 (Andrew County)
2014-094 (Texas County)
2014-103 (Lewis County)
2014-120 (Iron County)
2014-136 (Shannon County)
2015-120 (Pemiscot County)
2016-013 (Dunklin County Public Administrator)

1.6 Review of activity

The court did not perform sufficient reviews of the activity of cases assigned to the Public Administrator, review annual settlements, or perform timely follow up with the Public Administrator regarding annual settlement omissions or other problems.

Failure to adequately review and monitor the activity of cases assigned to the Public Administrator by the court and/or annual settlements filed with the court increases the risk that errors or lost, theft, or misuse of funds could go undetected.

Recommendation

The court establish procedures to adequately monitor the activity of cases assigned the Public Administrator and/or adequately review the annual settlements filed with the court.

Report source

2014-080 (Andrew County)
2014-095 (Webster County)
2014-103 (Lewis County)
2014-129 (Dallas County)
2015-133 (Henry County)
2016-012 (Douglas County)
2016-013 (Dunklin County Public Administrator)



2. Disbursements

2.1 Improper gift card purchases

The Public Administrator made improper purchases totaling \$250 on a gift card purchased with ward monies, and purchases made on other ward gift cards totaling at least \$550 did not appear to be made by, or on behalf of, the wards. The Public Administrator could not provide documentation showing gift cards purchased on behalf of wards had been delivered to the wards.

Gift card disbursements have more risk associated with them than check disbursements. Gift cards can be used by anyone in possession of the gift card. A check disbursement can only be cashed by the payee and the money remains in a bank account until the check is cashed, which provides added security. To adequately safeguard ward monies and reduce the risk of loss, theft, or misuse, the Public Administrator should discontinue purchasing gift cards.

After investigation by law enforcement officials, the Public Administrator entered into a deferred prosecution agreement with the Attorney General's Office. The terms of the deferred prosecution agreement included, but were not limited to, reimbursing the applicable ward accounts for the \$800 in questionable purchases and resigning her position as Public Administrator.

Recommendation

The Judge work with the new Public Administrator to ensure no other discrepancies exist. In addition, the Public Administrator should discontinue the use of gift cards and prepaid debit cards.

Report source

2016-013 (Dunklin County Public Administrator)

2.2 Supporting documentation

The Public Administrator did not retain documentation to support disbursements, including monies or other items of value provided to wards or others accepting payment on behalf of wards for personal expenses.

To ensure payments are valid and proper and adequately safeguard and reduce the risk of loss, theft, or misuse of ward assets, adequate supporting documentation should be maintained for all disbursements, including monies or other items of value provided to a ward or others on their behalf.

Recommendation

The Public Administrator ensure disbursements are supported by adequate documentation and obtain documentation for monies or other items of value provided to wards.

Report source

2014-080 (Andrew County)
2014-094 (Texas County)
2014-095 (Webster County)



Summary of County Audit Findings - Public Administrator
Management Advisory Report - State Auditor's Findings

2014-103 (Lewis County)
2014-135 (Perry County)
2015-038 (Howard County)
2016-012 (Douglas County)
2016-013 (Dunklin County Public Administrator)

2.3 Timeliness

The Public Administrator did not make all payments timely, including payments for rent/housing/boarding, and income and property taxes, resulting in unnecessary interest and penalties.

The Public Administrator should make payments timely to avoid unnecessary interest and penalties and protect ward assets.

Recommendation

The Public Administrator make payments timely.

Report source

2014-080 (Andrew County)
2014-094 (Texas County)
2014-095 (Webster County)

2.4 Monitoring account balances

The Public Administrator did not adequately monitor account balances of some wards resulting in insufficient funds, overdraft fees, and service charges by the bank.

Part of the Public Administrator's function is to serve in a fiduciary role for individuals who cannot provide adequate oversight of their own finances. The failure to adequately monitor the financial activity, including account balances, of wards increases the risk that loss, theft, or misuse of funds could go undetected.

Recommendation

The Public Administrator monitor financial activity to avoid unnecessary bank charges.

Report source

2014-080 (Andrew County)
2014-095 (Webster County)

2.5 Burial plans

The Public Administrator did not reconcile prepayments made for burial plans to actual funeral expenses subsequently incurred. As a result, the Public Administrator paid more than actual cost for funeral expenses for at least one ward.

To ensure payments are valid and proper, the Public Administrator should ensure amounts prepaid on burial plans do not exceed actual cost.



Summary of County Audit Findings - Public Administrator
Management Advisory Report - State Auditor's Findings

Recommendation The Public Administrator reconcile prepaid burial plans to actual cost and seek reimbursement when appropriate.

Report source 2014-135 (Perry County)

2.6 Disbursements to wards by mail The Public Administrator lacked adequate documentation of transactions involving a ward living in Florida, showing the ward or others accepting payment on behalf of the ward received gift cards, a phone, and a \$250 check. The Public Administrator indicated she mailed these gift and phone cards and the phone to the ward through standard mail.

Mailing items of value increases the risk they could be stolen and misused. To adequately safeguard and reduce the risk of loss, theft, or misuse of ward assets, documentation indicating monies or other items of value provided to a ward should be obtained and retained. If such items have to be sent to a ward, using a method that will track delivery of the items would help provide this documentation.

Recommendation The Public Administrator use a method that will track delivery of the items that have to be sent to a ward.

Report source 2016-012 (Douglas County)

3. Fees and Reimbursements

3.1 Assessment and collection of fees The Public Administrator did not assess and collect fees from the accounts of some wards and estates.

Section 473.742, RSMo, provides all fees collected by a Public Administrator who elects to be salaried are to be deposited into the county treasury. The Public Administrator should request fees when filing each annual and final settlement and remit all approved fees to the county treasury timely.

Recommendation The Public Administrator work with the court to ensure fees are appropriately assessed and remit approved fees to the county.

Report source 2014-094 (Texas County)
2014-120 (Iron County)

3.2 Consistent application of fees The Public Administrator did not consistently assess fees, and did not maintain a fee schedule or document criteria used when determining the appropriate fee to charge.



Summary of County Audit Findings - Public Administrator Management Advisory Report - State Auditor's Findings

To ensure fees are properly assessed, the Public Administrator should work with the court to establish a fee schedule. Without documenting criteria used when determining the appropriate fee to charge, and without adequate supporting documentation, there is less assurance fees charged to each ward are fair, reasonable, and properly assessed.

Recommendation

The Public Administrator work with the court to establish a formal policy outlining the fee amount to assess wards.

Report source

2014-094 (Texas County)
2014-113 (Howell County)

3.3 Approval of fees

The Public Administrator issued checks for payment of fees prior to, or without, the Judge's approval.

To ensure fees are properly assessed, the Public Administrator should obtain court approval prior to disbursing fees.

Recommendation

The Public Administrator obtain court approval prior to disbursing fees.

Report source

2014-094 (Texas County)
2014-113 (Howell County)

3.4 Fee advances, errors, and monitoring

The Public Administrator charged fees in advance of services being performed without the approval of the Judge. In addition to the fee advance, the Public Administrator also charged and collected monthly fees from some estates in error. Additionally, the fee advance amount paid was included in the disbursement total the Public Administrator used when calculating the monthly fee. Further, the court has not established procedures to review the accuracy of fees paid to the Public Administrator.

To ensure fees are paid correctly, the Public Administrator should charge fees in accordance with the compensation order approved by the Judge, and after the services are performed. Failure of the court to adequately review fees paid to the Public Administrator increases the risk that errors or misuse of funds could go undetected.

Recommendation

The Public Administrator should discontinue the practice of charging fees in advance, and the Judge should ensure the court has established procedures to review the accuracy of fees paid to the Public Administrator.

Report source

2015-133 (Henry County)

3.5 Final fees

For final settlements filed during 2013 by the former Public Administrator, the former Public Administrator prorated the fees based on months of service applicable to the settlements. The county received fees related to



Summary of County Audit Findings - Public Administrator Management Advisory Report - State Auditor's Findings

services performed in 2012 and the former Public Administrator received fees related to services performed in 2013 since she was no longer a salaried employee.

Section 473.767, RSMo, indicates "In counties where the public administrator is paid a salary, the public administrator shall deliver property and make necessary filings as required in this section prior to leaving his or her term of office." Thus, the former Public Administrator should have completed all annual settlements, etc. before the end of her term and not retained any fees personally for those annual settlements filed after the end of her term.

Recommendation

The Judge should reconsider fees paid to the former Public Administrator after her term of office ended.

Report source

2014-113 (Howell County)

3.6 Mileage reimbursements

Mileage claim forms submitted by the Public Administrator to the county for reimbursement did not always contain sufficient detail, and as a result, mileage claim forms were not always accurate.

Section 50.333.10, RSMo, allows the county to reimburse county officials and employees for each mile actually traveled in the performance of their official duties. To ensure mileage paid is accurate, mileage claim forms should include sufficient detail of locations traveled.

Recommendation

The Public Administrator provide adequate documentation including sufficient details of locations traveled for all mileage reimbursements.

Report source

2014-047 (Taney County)

4. Receipting and Depositing

4.1 Receipts

The Public Administrator did not always issue receipt slips or maintain a log of monies received.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, issue receipt slips for, or maintain a log of all monies received.

Recommendation

The Public Administrator ensure prenumbered receipt slips are issued or a log is maintained for all monies received.

Report source

2014-113 (Howell County)
2014-135 (Perry County)
2015-043 (Adair County)



Summary of County Audit Findings - Public Administrator
Management Advisory Report - State Auditor's Findings

4.2 Receipt slips

The Public Administrator did not always indicate the method of payment or date received on receipt slips issued.

Failure to implement adequate receipting procedures increases the risk that loss, theft, or misuse of monies received could go undetected. Proper receipting procedures are necessary to ensure all receipts are handled and accounted for properly.

Recommendation

The Public Administrator ensure the method of payment and date of receipt is recorded on receipts slips.

Report source

2014-113 (Howell County)

4.3 Endorsement of checks

The Public Administrator did not restrictively endorse checks until preparation of a deposit.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, checks should be restrictively endorsed immediately upon receipt.

Recommendation

The Public Administrator restrictively endorse checks immediately upon receipt.

Report source

2014-047 (Taney County)
2014-133 (Reynolds County)
2014-135 (Perry County)

4.4 Timeliness of deposits

The Public Administrator did not always deposit receipts timely.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited timely.

Recommendation

The Public Administrator deposit receipts timely.

Report source

2014-047 (Taney County)
2014-095 (Webster County)
2014-113 (Howell County)
2014-133 (Reynolds County)
2014-135 (Perry County)
2015-099 (Ralls County)

4.5 Tracking receipts

The Public Administrator did not have a system in place to properly track and document when monies owed are received on behalf of wards.

To properly track all monies owed and received on behalf of the wards and to adequately safeguard receipts and reduce the risk of loss, theft, or misuse



Summary of County Audit Findings - Public Administrator Management Advisory Report - State Auditor's Findings

of funds, a log should be maintained to document monies owed and received.

Recommendation

The Public Administrator maintain a log to document all monies received and due, and properly monitor the receipt of payments owed to wards.

Report source

2014-047 (Taney County)

5. Bank Reconciliations

The Public Administrator did not prepare, or timely perform, monthly bank reconciliations for some wards.

Monthly bank reconciliations are necessary to ensure the bank activity and accounting records are in agreement and to detect and correct errors timely.

Recommendation

The Public Administrator prepare and document timely monthly bank reconciliations for all wards' bank accounts.

Report source

2014-080 (Andrew County)
2014-094 (Texas County)
2015-120 (Pemiscot County)

6. Electronic Data Security

6.1 Passwords

The Public Administrator had not established adequate password controls to reduce the risk of unauthorized access to computers and data. The Public Administrator and/or employees were not required to change passwords periodically, have a minimum number of characters in the password, and/or shared the user identification and password for certain computers in the Public Administrator's office.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential. However, since passwords did not have to be periodically changed, contain a minimum number of characters, or were shared by employees, there is less assurance they are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

Recommendation

The County Commission work with the Public Administrator to require unique passwords for each employee that are confidential, contain a minimum number of characters, and are periodically changed to prevent unauthorized access to county's computers and data.



Summary of County Audit Findings - Public Administrator Management Advisory Report - State Auditor's Findings

Report source	2014-135 (Perry County)
	2015-043 (Adair County)
	2015-079 (Grundy County)
	2015-115 (Harrison County)
	2016-021 (Marion County)
	2016-024 (Ozark County)
	2016-027 (Stone County)

6.2 Backup data

The Public Administrator did not perform periodic testing of backup data and/or store backup files at an off-site location.

Failure to store computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer. To help prevent loss of information and ensure essential information and computer systems can be recovered, backup data should be tested on a periodic basis and stored at a secure off-site location.

Recommendation

The County Commission work with the Public Administrator to ensure backup data is tested on a regular, predefined basis, and stored in a secure off-site location.

Report source	2015-079 (Grundy County)
	2016-024 (Ozark County)

6.3 Security controls

The Public Administrator did not have security controls in place to lock computers after a specified number of incorrect logon attempts or after a certain period of inactivity.

Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

Recommendation

The County Commission work with the Public Administrator to require each county computer to have security controls in place to lock the computer after a specified number of incorrect logon attempts and after a certain period of inactivity.

Report source	2016-021 (Marion County)
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Summary of County Audit Findings - Public Administrator
Management Advisory Report - State Auditor's Findings

**6.4 Computer system
controls**

The Public Administrator's computerized accounting system allowed the user to change check numbers and dates in the system once a check had been printed and issued.

To ensure all disbursements are properly recorded and to reduce the risk of loss, theft, or misuse of funds, the Public Administrator should work with the computer software vendor to ensure adequate controls are put in place that prevent actions such as changing check numbers and dates.

Recommendation

The Public Administrator work with the computer software vendor to ensure adequate controls are in place to allow for the proper accountability of all transactions.

Report source

2014-047 (Taney County)

7. Case Disposition

The Public Administrator did not file, or timely file, final settlements, or distribute assets following the wards' death or assignment of decedent estates.

Public Administrator cases in which the ward is deceased should be reviewed to determine if the case is active or should be closed. To reduce the risk of loss, theft, or misuse of assets, the Public Administrator should ensure final settlements are filed timely and assets are promptly distributed to heirs.

Recommendation

The Public Administrator timely file final settlements for deceased individuals and decedent estates and petition the court for orders of distribution.

Report source

2014-080 (Andrew County)
2014-094 (Texas County)
2016-027 (Stone County)

8. Sale of Property

The Public Administrator did not solicit bids for auctioneer services for the sale of real estate and personal property, obtain a formal appraisal prior to the sale of a ward's real estate, and retain supporting documentation for personal items sold at auction for all wards.

While professional services may not be subject to standard bidding procedures, soliciting proposals for auctioneer services is a good business practice, helps provide a range of possible choices, and allows the Public Administrator to make a better-informed decision to ensure necessary services are obtained from the best-qualified provider after taking expertise, experiences, and cost into consideration. Good business practice also requires obtaining a formal appraisal to ensure the price obtained for the property is reasonable and represents the fair value of the property. Record



Summary of County Audit Findings - Public Administrator Management Advisory Report - State Auditor's Findings

retention is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, states all records made or received by officials in the course of their public duties are public property and are not to be disposed of except as provided by law.

Recommendation

The Public Administrator obtain formal independent appraisals for real estate sold, ensure adequate supporting documentation is retained for the sale of personal property, and solicit proposals for auctioneer services.

Report source

2014-095 (Webster County)

9. Case Files

The Public Administrator did not retain complete case files for all wards.

Failing to maintain complete case files for all wards significantly increases the risk that loss, theft, or misuse of funds could occur undetected. Record retention is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, states all records made or received by officials in the course of their public duties are public property and are not to be disposed of except as provided by law.

Recommendation

The Public Administrator retain adequate documentation for each ward.

Report source

2014-080 (Andrew County)

10. Written Agreements

The Public Administrator had not entered into a written agreement with one of a decedent's heirs for exclusive use of the decedent's farm in exchange for upkeep of the farm's fences, insurance coverage, utilities, and the payment of the annual property taxes.

Written agreements are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

Recommendation

The Public Administrator enter into a written rental agreement regarding usage of the farm.

Report source

2016-027 (Stone County)

11. Salary

The County Commission did not set the Public Administrator's salary in accordance with state law, and as a result, was underpaying the Public Administrator.

According to Section 473.742, RSMo, when the salary option is elected, the Public Administrator's salary is based upon the average number of open letters (cases) assigned to the Public Administrator in the 2 years preceding the term.



Summary of County Audit Findings - Public Administrator
Management Advisory Report - State Auditor's Findings

Recommendation

The County Commission set the Public Administrator's salary in accordance with state law, and should consider whether the payment of back pay is appropriate.

Report source

2014-109 (Miller County)

**12. Medicaid
Eligibility**

Checks received or gift cards purchased for future purchases by the Public Administrator on behalf of the wards are often not reported as assets on the Medicaid eligibility form to help wards retain Medicaid eligibility.

Section 208.210.1, RSMo, requires recipients to notify county welfare offices if they possess property that affects their right to receive benefits. Further, Section 208.210.2, RSMo, provides that if it is found that a recipient or spouse possessed income in excess of the amount reported that would affect his/her right to receive benefits, the amount of benefits may be recovered as a debt to the state.

Recommendation

The Public Administrator report accurate asset information for wards to the Department of Social Services (DSS), Family Support Division. Also, the Public Administrator should contact DSS, Family Support Division, to determine whether any monies are due to the state.

Report source

2014-047 (Taney County)
2014-133 (Reynolds County)
2015-099 (Ralls County)
2016-013 (Dunklin County Public Administrator)

**13. Washington
County**

On November 10, 2014, the Missouri Attorney General's office filed 2 felony charges against Kathy O'Neil, the Washington County Public Administrator. The allegations pertained to transactions that occurred during Ms. O'Neil's previous employment, prior to her taking office as the Public Administrator effective January 1, 2013.

Ms. O'Neil continued to serve in her capacity as the Public Administrator. Our audit covered the calendar year 2013 and did not identify significant problems with the Public Administrator's cases or procedures reviewed.

Given the serious nature of these allegations, it was imperative the court continue to perform diligent reviews of the Public Administrator's cases and supporting documents.

Recommendation

No recommendation was made.

Report source

2015-008 (Washington County)

Summary of County Audit Findings - Public Administrator

Appendix - Audit Reports

Appendix - Audit Reports

Report Number	Title	Publication Date
2014-047	Taney County	July 2014
2014-080	Andrew County	September 2014
2014-081	Gasconade County	September 2014
2014-094	Texas County	October 2014
2014-095	Webster County	October 2014
2014-103	Lewis County	November 2014
2014-109	Miller County	November 2014
2014-113	Howell County	November 2014
2014-120	Iron County	December 2014
2014-127	Scott County	December 2014
2014-129	Dallas County	December 2014
2014-133	Reynolds County	December 2014
2014-135	Perry County	December 2014
2014-136	Shannon County	December 2014
2015-008	Washington County	April 2015
2015-038	Howard County	June 2015
2015-043	Adair County	June 2015
2015-079	Grundy County	September 2015
2015-099	Ralls County	November 2015
2015-115	Harrison County	November 2015
2015-120	Pemiscot County	December 2015
2015-123	Butler County	December 2015
2015-133	Henry County	December 2015
2016-012	Douglas County	March 2016
2016-013	Dunklin County Public Administrator	March 2016
2016-021	Marion County	April 2016
2016-024	Ozark County	May 2016
2016-027	Stone County	May 2016



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Stone County

Report No. 2016-142
December 2016

auditor.mo.gov

Stone County

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Stone County

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-027, *Stone County* (rated as Poor), issued in May 2016, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by county officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the county included personnel policies, bank statements and reconciliations, receipts and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during November 2016.

Nicole R. Galloway, CPA
State Auditor

Stone County

Follow-Up Report on Audit Findings

Status of Findings

1.1 County Procedures - Fuel

The county lacked adequate procedures to account for fuel use by the road and bridge department and the Sheriff's office. Mileage and fuel logs were not maintained for the vehicles and equipment used by the road and bridge department and the vehicles used by the Sheriff's office. The monthly fuel reconciliation prepared by a payroll/accounts payable clerk in the County Clerk's office was not complete. It only compared fuel purchased and pumped during the month, and did not include a beginning and ending balance of fuel on hand in the tanks, and significant differences were not investigated or explained. The Sheriff's office did not use the bulk fuel logs maintained by his employees to reconcile to fuel purchases.

Recommendation

The County Commission require mileage and fuel logs be maintained for vehicles and equipment of the road and bridge department and investigate any differences identified during the fuel reconciliation process. In addition, work with the Sheriff to require mileage and fuel logs be maintained for vehicles of the Sheriff's office, ensure the bulk fuel logs are reconciled to fuel purchases, and investigate any differences.

Status

Partially Implemented

Mileage and fuel logs are now being maintained for vehicles and equipment used by the road and bridge department; however, the odometer/hourly readings were not always included on the logs. The beginning and ending fuel level in the tanks for August 2016 was not included on the logs. As a result, the fuel reconciliation was not complete and significant differences were not investigated or explained. The payroll/accounts payable clerk in the County Clerk's office indicated measuring sticks and charts are now used to document fuel levels in the tanks.

Mileage and fuel logs are being maintained for the vehicles used by the Sheriff's office, and fuel use was reconciled to fuel purchases for September 2016. However, beginning and ending fuel levels in the tanks was not documented for September 2016; therefore the reconciliation was incomplete. The Sheriff indicated measuring sticks are now used to document the beginning and ending fuel levels in the tanks.

1.4 County Procedures - Inmate Prisoner Detainee Security Fund

It was questionable how some items purchased from the Inmate Prisoner Detainee Security Fund during 2014 and 2015, could have been utilized for the detention, custody, and housing of inmates. Questionable items purchased included 2 Tasers assigned to a patrol officer, 75 backpacks, 2 laptop computers, ammunition, a used Glock handgun, and shooting range ear and eye protection.

Recommendation

The Sheriff ensure the Inmate Prisoner Detainee Security Fund is used in accordance with state law and reimburse the Inmate Prisoner Detainee Security Fund from the applicable funds for any unallowable disbursements.



Stone County
Follow-up Report on Audit Findings
Status of Findings

Status

Partially Implemented

We reviewed invoices paid from the Inmate Prisoner Detainee Security Fund from July through September 2016 and determined the Sheriff used the funds in accordance with state law. The Sheriff did not reimburse the Inmate Prisoner Detainee Security Fund for any of the unallowable disbursements identified in the audit. The Sheriff indicated he believes these disbursements were justified, but does not plan to make similar purchases in the future.

2. Electronic Data Security Controls over county computers were not sufficient to prevent unauthorized access. As a result, county records were not adequately protected and were susceptible to unauthorized access. In addition, some data were not backed up, stored offsite, or periodically tested.

2.1 Passwords

The County Clerk, County Collector, County Assessor, Prosecuting Attorney, Sheriff, Public Administrator, County Commission, the planning and zoning department, and the road and bridge department had not established adequate password controls to reduce the risk of unauthorized access to computers and data. Employees in these offices were not required to change passwords periodically to help ensure passwords remain known only to the assigned user. The computer used by a County Commissioner did not require a password. User access was not always promptly deleted after a computer user ended employment and in at least one case a former employee's user access information was assigned to a new employee.

Recommendation

The County Commission work with other county officials to require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the county's computers and data, and ensure user access for terminated employees is promptly deleted.

Status

Implemented

The County Commission adopted a new information technology (IT) policy in August 2016. The county purchased new software that was installed in November 2016 to manage and enforce this policy. The policy requires county employees to have a complex password to access their computers, passwords to be changed every 90 days, and department heads to immediately notify the IT Director of any employee terminations so the IT Director can promptly deactivate the terminated employee's access from the computer systems. The IT Director has established password controls to enforce the IT policy for any offices not using the new software.



Stone County
Follow-up Report on Audit Findings
Status of Findings

2.2 Security controls

Security controls were not in place to lock most county computers after a specified number of incorrect logon attempts or after a certain period of inactivity.

Recommendation

The County Commission work with other county officials to require each county computer to have security controls in place to lock it after a specified number of incorrect logon attempts and after a certain period of inactivity.

Status

Implemented

As required by the county's new IT policy county computers will be locked after 10 unsuccessful logon attempts. The IT Director indicated county computers now lock after 10 unsuccessful logon attempts and after 15 minutes of inactivity.

2.3 Data backup

The Sheriff's office and the Prosecuting Attorney's office did not store data backups at an offsite location, and did not periodically test backup data.

Recommendation

The County Commission work with other county officials to ensure backup data is stored in a secure offsite location and tested on a regular basis.

Status

Partially Implemented

The Sheriff's office and Prosecuting Attorney's office are now storing backup data at a secure offsite location. Sheriff's office backup data is not periodically tested. The Prosecuting Attorney indicated the backup data is tested prior to storing at the offsite location. The IT Director indicated he would ask the County Commission to update the IT policy to ensure periodic testing of backup data is performed.

3.1 Payroll and Related Matters - Salaried employees

Timesheets and leave records were not prepared for 17 salaried employees. As a result, the county could not substantiate compliance with Fair Labor Standards Act requirements for these employees and there was no documentation to support or justify paid time off. In addition, the County Clerk's office prepared and distributed payroll for salaried employees on the 15th of each month for the period ending the last day of the current month. As a result, salaried employees were paid in advance for their services.

Recommendation

The County Commission require all county employees to prepare detailed timesheets and maintain leave balances for all employees. In addition, the County Commission should discontinue compensating full-time employees in advance of receiving services.

Status

Partially Implemented

The County Commission approved a revision to the county's personnel policy on December 6, 2016. The new policy provides for the 9 exempt



Stone County
Follow-up Report on Audit Findings
Status of Findings

salaried employees to only report exceptions to time worked including vacation, sick, and bereavement leave and jury duty. The policy also provides for all other positions to be considered non-exempt employees and requires the employee to record the number of regular and overtime hours worked on timesheets. Salaried employees continue to be paid in advance of time worked.

4.1 Property Tax System
Controls and Procedures
- Review of property
taxes

Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and County Commission did not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements.

Recommendation

The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

Status

In Progress

The County Clerk is maintaining an account book for the tax year ending February 28, 2017. The County Commission documents its review of the account book each month. The County Clerk and County Commission plan to use the account book to review the annual settlement once the tax year is completed.

4.3 Property Tax System
Controls and Procedures
- Additions

The County Clerk and County Commission did not review and approve property tax additions or compare court orders or other supporting records to actual changes made to the property tax system.

Recommendation

The County Clerk and the County Commission review and approve additions, and compare court orders or other supporting records to actual changes made to the property tax system.

Status

Implemented

The County Clerk and County Commission reviewed and approved court orders for additions for the month of August 2016, and the County Clerk compared court orders to actual changes made to the property tax system.

5.1 County Collector's
Controls and Procedures
- Segregation of duties

The County Collector had not adequately segregated accounting duties and independent or supervisory reviews of accounting and bank records were not performed.



Stone County
Follow-up Report on Audit Findings
Status of Findings

Recommendation
Status

The County Collector segregate accounting duties or ensure supervisory reviews of accounting and bank records are performed and documented.

Implemented

Accounting duties were not segregated. However, the County Collector changed her procedures and started documenting her review of bank statements, reconciliations, and accounting records. We reviewed these records for September 2016 and determined the County Collector had documented her review.

5.2 County Collector's
Controls and Procedures
- Receipting, recording,
and reconciling

The County Collector had not established proper controls or procedures for receipting, recording, and reconciling monies. Receipt slips were not issued for checks received through the mail for partial payments. Office personnel did not always record the method of payment accurately in the property tax system, and overpayments and subsequent refunds were not reflected on daily collection reports. The composition of receipts recorded on the daily collection report was not reconciled to the composition of deposits.

Recommendation

The County Collector issue receipt slips for all monies received, record the method of payment accurately, and reconcile the composition of receipts to the composition of deposits. The County Collector should also consider working with the tax system programmer to implement changes to the system that will allow overpayments and refunds to be properly recorded in the property tax system.

Status

In Progress

The County Collector indicated receipt slips are currently issued for all partial payments received. We reviewed partial payments received during September 2016 and determined receipt slips were issued for all monies received. The County Collector indicated no overpayments and refunds had occurred in the last 3 months, and overpayments/refunds typically do not occur until December. The County Collector indicated she discussed overpayments and refunds with the programmer, and while overpayments and refunds appear on the computer screens of the tax system, they do not get reported on the daily collection reports. As a result, the County Collector prepared a form that her office is currently using to document overpayments and refunds and other reconciling items to aid in reconciling the composition of receipts recorded on the daily collection reports to the composition of deposits.

5.3 County Collector's
Controls and Procedures
- Computerized receipts

The County Collector did not account for the numerical sequence of receipt numbers assigned by the computerized property tax system. The property tax system did not have controls to prevent the County Collector or her office personnel from changing the date of receipts in the system to a future or past date.



Stone County
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The County Collector implement procedures to account for the numerical sequence of receipt numbers, and work with the computer programmer to establish controls to prevent changing of receipt dates.

Status

Implemented

The County Collector indicated her office will record all transactions at the time the payment is processed in the tax system. A review of the September 2016 accounting records showed the office was accounting for the numerical sequence of receipt numbers. The County Collector worked with the programmer to establish controls to prevent changing of receipt dates.

6.1 Sheriff's Controls and Procedures - Trust and seized cash bank accounts

The Sheriff's office did not prepare monthly lists of liabilities for the trust bank account, and consequently, liabilities were not reconciled to the available cash balance. At our request, a list of liabilities was prepared that included social security payments and interest that should be turned over to the County Treasurer and fees due to the Missouri State Highway Patrol for fingerprinting. In addition, bank reconciliations were not accurately prepared for the trust account and a running check register balance was not maintained. Also, the list of seized cash prepared by the Evidence Officer was not used to reconcile to the available cash balance of the seized cash bank account.

Recommendation

The Sheriff prepare a list of liabilities and accurate bank reconciliations monthly, and maintain running balances in the check register, and reconcile cash balances to the list of liabilities. Any differences should be investigated and promptly resolved. Additionally, the Sheriff should ensure monies are disbursed to the County Treasurer monthly.

Status

Implemented

The Sheriff's office prepared a list of liabilities for the trust bank account, which agreed to the reconciled bank balance as of September 30, 2016. The bank reconciliation was accurately prepared for the trust account and a running check register balance is now maintained. The Sheriff's office also prepared a list of liabilities for the seized cash bank account, which agreed to the reconciled bank balance as of October 2, 2016. The Sheriff is now disbursing monies to the County Treasurer monthly.

6.2 Sheriff's Controls and Procedures - Receipting, recording, and depositing

The Sheriff had not established proper controls or procedures for receipting, recording, and depositing monies. Receipt slips were not issued for Drug Awareness and Resistance Education (DARE) Fund donations. Inmate Social Security payments direct deposited into the trust account between January 2013 and August 2015, were not receipted or recorded in the accounting records. Also, cash of \$200 that the Sheriff indicated was received from the sale of scrap metal in 2013, had not been receipted, recorded, or deposited at the time of our cash count on August 4, 2015. The



Stone County
Follow-up Report on Audit Findings
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method of payment was not always recorded on the receipt slips issued for concealed carry weapon permits; and sex offender registration, accident report, and fingerprinting fees. Jail personnel did not always issue bond receipt slips in numerical sequence, and bond forms were not prenumbered.

Recommendation

The Sheriff issue receipt slips for all monies received, record the method of payment on receipt slips, reconcile the composition of receipts to the composition of deposits, account for the numerical sequence of bond receipt slips, issue prenumbered bond forms, and deposit monies intact and timely.

Status

In Progress

We reviewed receipting procedures for the period September 15 through September 30, 2016. Receipt slips were issued for all monies received during that period. The method of payment was recorded on the receipt slips issued for concealed carry weapon permits and sex offender registration fees during the period reviewed. However, the method of payment was not always recorded on the receipt slips issued (2 of 4 receipt slips) for incident reports and fingerprinting fees during this period, and as a result the composition of receipts could not be reconciled to the composition of deposits. The Sheriff indicated that every employee that issues a receipt slip has been told that the method of payment must be included on all receipt slips. One of 10 bond receipt slips issued during this period was not issued in sequence. While prenumbered bond forms were not issued, the Sheriff's office documented the bond receipt slip number on each of the bond forms and reconciled the bond forms to bond receipt slips issued. Monies received during the period reviewed were deposited within 1 to 3 business days of receipt. The \$200 from the sale of scrap metal was deposited into the General Revenue Fund in August of 2015.

6.4 Sheriff's Controls and Procedures - Seized property

The Sheriff had not implemented procedures to periodically review cases and dispose of related seized property items. In addition, 3 different computerized systems were used to track seized property, and none of the systems were accurate or complete. A physical inventory of all seized property had not been conducted since January 2013. The Sheriff maintained a bank account for the deposit of all seized cash, and \$41,306 of the \$47,750 balance held on August 31, 2015, was related to cases no longer pending legal action with some cases dating back to 1993. Four cases with seized cash were not recorded in either of the 3 computerized systems. Amounts recorded in the 3 computerized systems for 7 other cases were different than the amounts recorded as being deposited into the seized cash bank account. Records indicated \$74 was released; however, the related seized cash had not been disbursed from the bank account.

Recommendation

The Sheriff obtain written authorization from the court to dispose of these seized monies, and dispose of monies in accordance with court orders. The Sheriff should also ensure seized property records are accurate and



Stone County
Follow-up Report on Audit Findings
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complete, and a periodic inventory is taken and reconciled to the property records.

Status

Partially Implemented

The Sheriff's office adopted a new policy and procedure manual in October 2016, and policy 05.14 states that a monthly review of seized property cases will be conducted and evidence disposed of properly. As of October 2, 2016, no written authorization has been obtained from the court to dispose of the \$41,306 still held in the seized cash bank account. The Sheriff's office still utilizes 3 different computerized systems to track seized property, and the systems are not complete and accurate. A physical inventory of all seized property has not been conducted. Corrections were made to seized property records for the specific cases identified in the report.

6.5 Sheriff's Controls and
Procedures - Seized
property auction
proceeds

The Sheriff held an auction to sell seized property and sale proceeds of \$26,354 were deposited in the Sheriff's Civil Fund.

Recommendation

The Sheriff transfer \$26,354 to the General Revenue Fund from the Sheriff's Civil Fund, and ensure any future seized property sale proceeds are remitted to the County Treasurer for deposit in the General Revenue Fund.

Status

Not Implemented

The Sheriff has not transferred the \$26,354 to the General Revenue Fund from the Sheriff's Civil Fund. The Sheriff indicated he will again consult with the county's legal counsel about this matter.

7. Public Administrator's
Controls and Procedures

Controls and procedures in the Public Administrator's office needed improvement.

7.1 Annual settlements

The Public Administrator did not always file annual settlements/status reports timely. During our review of the 33 active cases, we found 25 cases did not have annual settlements/status reports filed timely. An annual settlement/status report had never been filed for 3 cases assigned to the Public Administrator.

Recommendation

The Public Administrator ensure annual settlements are filed timely.

Status

Partially Implemented

The Public Administrator filed annual settlements/status reports timely for 3 of the 25 cases identified in the original report; however, annual settlements/status reports have not been filed timely for the remaining 22



Stone County
Follow-up Report on Audit Findings
Status of Findings

active cases. Annual settlements/status reports still have not been filed for 2 of the 3 cases for which the Public Administrator had never filed annual settlement/status report.

7.2 Case disposition and written agreements

The Public Administrator had not filed final settlements following the death or assignment of a ward for 11 of the 21 decedent estates. Additionally, assets, including bank account balances and real estate, had not been distributed to the estates' heirs, used to satisfy claims against the estate, or escheated to the state for these 11 cases. Also, the Public Administrator had not entered into a written agreement with one of the decedent's 4 heirs for exclusive use of the decedent's 240 acre farm in exchange for upkeep of the farm's fences, insurance coverage, utilities, and the payment of the annual property taxes.

Recommendation

The Public Administrator file timely final settlements for deceased individuals and decedent estates and petition the court for orders of distribution. In addition, the Public Administrator should enter into a written rental agreement regarding usage of the farm.

Status

Partially Implemented

The Public Administrator filed annual, final, or partial satisfactions of claims on 5 of the 11 decedent estates identified in the original report. However, no settlements have been filed on the remaining 6 decedent estates. The Public Administrator has not entered into a written rental agreement regarding usage of the farm, but is considering entering into an agreement for 2017.

8.1 Prosecuting Attorney's Controls and Procedures - Segregation of duties

The Prosecuting Attorney had not adequately segregated accounting duties or performed documented supervisory reviews of the accounting and bank records to ensure all monies received were properly recorded and deposited or transmitted, and disbursed to the appropriate parties. One of the Administrative Assistants also had the ability to record adjustments to the computerized accounting system without obtaining independent approval, and a report of adjustments made to the computerized accounting system was not generated and compared to supporting documentation.

Recommendation

The Prosecuting Attorney segregate accounting duties or ensure supervisory reviews of accounting and bank records are performed and documented. In addition, the Prosecuting Attorney should require a supervisory review and approval for all accounting adjustments made to the accounting system.

Status

Partially Implemented



Stone County
Follow-up Report on Audit Findings
Status of Findings

Some of the accounting duties have been reassigned to the 3 administrative assistants. However, one administrative assistant issues receipt slips for some monies received; enters payments into the computerized accounting system; prepares, mails, and signs checks; and prepares the bank reconciliation. One of the other administrative assistants reviews and documents her review on the bank statement and reconciliation. The Prosecuting Attorney indicated he also reviews and initials and dates the bank statements and bank reconciliation; however, this review was not documented on the September 2016 bank statement and reconciliation we reviewed.

During our review of delinquent tax records for September and October 2016 we determined duties were not segregated and a supervisory review of the delinquent tax records was not documented. The Prosecuting Attorney indicated he compares receipt slips issued to the Department of Revenue (DOR) forms and signs and dates the forms prior to submission; however, the DOR forms submitted for September and October 2016 were not signed by the Prosecuting Attorney.

No adjustments were made to the computerized system in September or October 2016; however, adjustments totaling \$25,902 were made on November 2, 2016. The Prosecuting Attorney documented his review of these adjustments on the supporting documentation; however, a monthly statement of adjustments had not been generated.

8.2 Prosecuting Attorney's
Controls and Procedures
- Receipting, recording,
reconciling, and
depositing

The Prosecuting Attorney had not established proper controls or procedures for receipting, recording, reconciling, and depositing monies. Receipt slips were not always issued for delinquent tax collections. Office personnel did not always record the method of payment on the receipt slips/ledger for delinquent tax collections. Recorded delinquent tax receipts were not reconciled to transmittals to the DOR, and transmittal forms were not always prepared in sequential order. Manual receipt slips issued were not reconciled with monies posted to the computerized accounting system. Monies received were not recorded in the computerized accounting system until they were deposited and disbursed, and they were not deposited timely.

Recommendation

The Prosecuting Attorney issue receipt slips for all monies received, accurately record the method of payment, reconcile the composition of receipts to the composition of deposits, timely record all monies received in the computerized accounting system, reconcile manual receipt slips issued to the computerized accounting system and to DOR transmittal forms, prepare transmittal forms in numerical sequence, and deposit monies timely.

Status

Partially Implemented

The Prosecuting Attorney changed receipting and reconciling procedures. We reviewed the September 2016 accounting records and determined



Stone County
Follow-up Report on Audit Findings
Status of Findings

receipt slips were issued for all monies received, the method of payment was accurately recorded on the receipt slips, and the composition of receipts was reconciled to the composition of deposits. Manual receipt slips issued were reconciled to monies posted to the computerized accounting system and to the DOR transmittal forms; however, monies received were not recorded in the computerized accounting system until deposited and disbursed. DOR transmittal forms were prepared in numerical sequence. Monies received during September 2016 were not deposited timely.

9. Planning and Zoning
Department

Controls and procedures in the planning and zoning department needed improvement.

9.1 Segregation of duties

The planning and zoning Director had not adequately segregated accounting duties or performed documented supervisory reviews of the accounting and bank records to ensure all monies received were properly deposited and disbursed.

Recommendation

The County Commission ensure accounting duties are segregated or ensure independent or supervisory reviews of accounting and bank records are performed and documented.

Status

Implemented

The Director now performs a documented supervisory review of the bank statement, bank reconciliation, and accounting records.

9.2 Receipting, depositing,
and physical controls

The planning and zoning department had not established proper controls or procedures for receipting and depositing monies and did not have adequate physical controls over monies received and blank checks. Receipt slips were not always issued for credit card payments. Monies received were not deposited timely and intact. Receipts and blank checks were not maintained in a secure location and were kept in an unlocked desk drawer that was accessible to the public.

Recommendation

The County Commission ensure planning and zoning department monies are receipted, deposited intact and timely, and receipts and blank checks are maintained in a secure location.

Status

Implemented

The planning and zoning department changed receipting and depositing procedures and improved physical controls. We reviewed accounting records for September 2016 and determined receipt slips were issued for all monies received, including credit card payments; and monies received were deposited intact and timely. Receipts and blank checks are now maintained in a secure location.



Office of Missouri State Auditor
Nicole Galloway, CPA

**Summary of 2016
Follow-Up Reports**

Summary of 2016 Follow-Up Reports

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NICOLE GALLOWAY, CPA

Missouri State Auditor

The Citizens of Missouri

This report was compiled from follow-up reports issued in 2016. The State Auditor's office conducted 13 follow-up reviews pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the auditee about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

Auditors conduct follow-up work for any audit receiving an overall "Poor" rating, significant or serious findings in audits receiving a "Fair" rating when determined necessary, and any other audits at the discretion of the State Auditor.

Of 198 recommendations included in the follow-up reports 79 (40 percent) had a status of implemented, 53 (27 percent) had a status of in progress, 45 (23 percent) had a status of partially implemented, and 21 (10 percent) had a status of not implemented.

Nicole R. Galloway, CPA
State Auditor

Summary of 2016 Follow-Up Reports

Status of Recommendations

1.	City of Joplin	City of Joplin received a "Poor" overall audit rating. The follow-up report focused on 32 recommendations.
	Report number 2016-037	Status determined: Implemented 6 In Progress 16 Partially Implemented 9 Not Implemented 1
2.	Pemiscot County	Pemiscot County received a "Poor" overall audit rating. The follow-up report focused on 10 recommendations.
	Report number 2016-038	Status determined: Implemented 3 In Progress 1 Partially Implemented 1 Not Implemented 5
3.	Henry County	Henry County received a "Poor" overall audit rating. The follow-up report focused on 19 recommendations.
	Report number 2016-043	Status determined: Implemented 10 In Progress 1 Partially Implemented 7 Not Implemented 1
4.	Village of Leasburg	Village of Leasburg received a "Poor" overall audit rating. The follow-up report focused on 25 recommendations.
	Report number 2016-045	Status determined: Implemented 10 In Progress 5 Partially Implemented 4 Not Implemented 6



Summary of 2016 Follow-Up Reports
Status of Recommendations

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| 5. Twenty-Ninth Judicial Circuit, City of Carl Junction Municipal Division | Twenty-Ninth Judicial Circuit, City of Carl Junction Municipal Division received a "Poor" overall audit rating. The follow-up report focused on 9 recommendations. |
| | Status determined: |
| Report number 2016-061 | Implemented 5
In Progress 4 |
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- | | |
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| 6. Twenty-Ninth Judicial Circuit, City of Joplin Municipal Division | Twenty-Ninth Judicial Circuit, City of Joplin Municipal Division received a "Poor" overall audit rating. The follow-up report focused on 11 recommendations. |
| | Status determined: |
| Report number 2016-093 | Implemented 8
In Progress 3 |
-
- | | |
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| 7. City of St. Louis Recorder of Deeds and Vital Records Registrar | City of St. Louis Recorder of Deeds and Vital Records Registrar received a "Poor" overall audit rating. The follow-up report focused on 15 recommendations. |
| | Status determined: |
| Report number 2016-095 | Implemented 10
In Progress 4
Partially Implemented 1 |
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- | | |
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| 8. Dunklin County Public Administrator | Dunklin County Public Administrator received a "Poor" overall audit rating. The follow-up report focused on 4 recommendations. |
| | Status determined: |
| Report number 2016-110 | Implemented 2
In Progress 2 |
-
- | | |
|--|---|
| 9. Goodman Area Fire Protection District | Goodman Area Fire Protection District received a "Poor" overall audit rating. The follow-up report focused on 10 recommendations. |
| | Status determined: |
| Report number 2016-114 | Implemented 5
Partially Implemented 4
Not Implemented 1 |
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Summary of 2016 Follow-Up Reports
Status of Recommendations

10. Marion County	Marion County received a "Fair" overall audit rating. The follow-up report focused on 14 recommendations.
Report number 2016-126	Status determined: Implemented 6 In Progress 6 Partially Implemented 2
11. Douglas County	Douglas County received a "Poor" overall audit rating. The follow-up report focused on 18 recommendations.
Report number 2016-130	Status determined: Implemented 5 In Progress 5 Partially Implemented 6 Not Implemented 2
12. Twenty-First Judicial Circuit, City of Pine Lawn Municipal Division	Twenty-First Judicial Circuit, City of Pine Lawn Municipal Division received a "Poor" overall audit rating. The follow-up report focused on 10 recommendations.
Report number 2016-140	Status determined: Implemented 1 In Progress 3 Partially Implemented 2 Not Implemented 4
13. Stone County	Stone County received a "Poor" overall audit rating. The follow-up report focused on 21 recommendations.
Report number 2016-142	Status determined: Implemented 8 In Progress 3 Partially Implemented 9 Not Implemented 1



Office of Missouri State Auditor
Nicole Galloway, CPA

**Monthly Report on Municipal Court
and Revenue Filings
November 2016**

Monthly Report on Municipal Court and Revenue Filings

November 2016

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this compilation is to report the filing status for the cities and villages with a May 31, 2016, fiscal year end, that were required to file a financial report by November 30, 2016, under Section 105.145, RSMo, and 15 CSR 40-3.030, and, when applicable, a municipal court certification under Section 479.360, RSMo, and 15 CSR 40-3.180. The filing status for these 3 cities and 2 villages are presented in summary on page 3 and by individual entity in Appendix A. This compilation is limited to presenting information submitted to our office. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them.

Section 479.362, RSMo, provides that the State Auditor's Office (SAO) notify the Department of Revenue whether counties, cities, towns, and villages have timely filed under Sections 479.359 and 479.360, RSMo. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the addendum provision of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, and will not be transmitting any information related to the addendum under Section 479.359, RSMo, to the Department of Revenue.

This report also includes the updated filing status for cities and villages that filed at least one of the items (financial report, addendum, or certification) in November 2016, after their filing deadline. The filing status for these 12 cities and 2 villages is presented in summary on page 3 and by individual entity in Appendixes B to E.

Nicole R. Galloway, CPA
State Auditor

The following staff participated in the preparation of this report:

Director of Audits:	Jon Halwes, CPA, CGFM
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Monthly Report on Municipal Court and Revenue Filings

November 2016

Executive Summary

Executive Summary

Section 105.145, RSMo, requires the governing body of each political subdivision in the state to prepare and remit to the state auditor an annual report of financial transactions. 15 CSR 40-3.030 requires the financial report to be remitted to the state auditor within 6 months of the end of the political subdivision's fiscal year. However, reports due between August 28, 2015, and November 30, 2015, were allowed to be filed on or before December 31, 2015. The State Auditor's Office (SAO) posts individual annual financial reports to its website. A searchable link is available at <http://auditor.mo.gov>.

Section 479.359.1, RSMo, requires every county, city, town, and village to annually calculate the percentage of its annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations.

Section 479.359.3, RSMo, provides that all municipalities file an addendum to the annual financial report containing (1) annual general operating revenue; (2) total revenues from fines, bond forfeitures, and court costs for minor traffic violations; and (3) the percent of annual general operating revenues from fines, bond forfeitures, and court costs for minor traffic violations. On March 28, 2016, the Circuit Court of Cole County issued a judgment enjoining the SAO from enforcing the provisions of Section 479.359.3, RSMo. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal, but has identified entities filing addendums.

Section 479.360, RSMo, requires every county, city, town, and village that operates a municipal court to file, with its annual financial report, a certification of substantial compliance with 9 municipal court procedures. This certification must be signed by the municipal court judge. 15 CSR 40-3.180 provides the procedure to file the municipal court certification. Any county, city, town, or village that does not have a municipal court judge is not required to file a certification.

This report includes the filing status for the 3 cities and 2 villages with a fiscal year end of May 31, 2016, whose financial reports or certifications were due by November 30, 2016. Of the 5 entities, 3 filed an annual financial report and 1 entity filed an addendum. A municipal court certification was required to be filed by 2 of the 5 entities, of which 1 was filed. No counties had to file within the reporting period of this report.

This report also includes the filing status for 12 cities and 2 villages that filed at least one of the items (financial report, addendum, or certification) in November 2016, after their filing deadline. Of these entities, 11 filed an annual financial report, 1 filed an addendum, and 4 filed a municipal court certification.

Appendix A
Status of Cities, Towns, and Villages Required to File Annual Financial Reports
Reports Due November 30, 2016

Fiscal Year Ended May 31, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of La Monte	No	—	No
City of Louisiana	Yes	Yes	Yes
City of Ravenwood	Yes	—	n/a
Village of Centertown	No	—	n/a
Village of Gordonville	Yes	—	n/a
Total Filed	3	1	1
Total Not Filed	2	0	1
Total N/A	0	0	3

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

n/a Entities without a municipal judge are not required to file a certification.

Appendix B

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due October 31, 2016

Filed in November 2016

Fiscal Year Ended March 31, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Higbee	Yes	—	n/a
City of Kansas City	Yes	Yes	Yes
City of Palmyra	**	**	Yes
City of St. James	Yes	—	No
Total Filed During November 2016	3	1	2

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by October 31, 2016.

n/a Entities without a municipal judge are not required to file a certification.

Appendix C

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due September 30, 2016

Filed in November 2016

Fiscal Year Ended March 31, 2016

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Belton	Yes	**	**
City of Crystal City	Yes	—	No
City of Iberia	**	—	Yes
City of Pleasant Hill	**	—	Yes
Village of Leslie	Yes	**	n/a
Total Filed During November 2016	3	0	2

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by September 30, 2016.

n/a Entities without a municipal judge are not required to file a certification.

Appendix D

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due June 30, 2016

Filed in November 2016

Fiscal Year Ended December 31, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
City of Green City	Yes	—	n/a
City of Lupus	Yes	—	n/a
City of Shelbyville	Yes	**	n/a
City of Walnut Grove	Yes	—	No
Total Filed During November 2016	4	0	0

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

** Filed by June 30, 2016.

n/a Entities without a municipal judge are not required to file a certification.

Appendix E

Status of Cities, Towns, and Villages Required to File Annual Financial Reports

Reports Due December 31, 2015

Filed in November 2016

Fiscal Year Ended June 30, 2015

Reporting Entity	Filed Annual Financial Report	Filed Addendum*	Filed Certification
Village of St. Cloud	Yes	—	n/a
Total Filed During November 2016	1	0	0

* As of March 28, 2016, the Circuit Court of Cole County issued a judgment that enjoined the SAO from enforcing the addendum provision. The SAO will take no action to enforce the addendum provision pending the outcome of the appeal.

n/a Entities without a municipal judge are not required to file a certification.



NICOLE GALLOWAY, CPA
Missouri State Auditor

December 29, 2016

Missouri Clean Water Commission
and
Harry Bozoian, Acting Director
Missouri Department of Natural Resources
Jefferson City, Missouri

This letter serves to outline my office's findings in response to reports of potential privacy concerns related to the state's regulatory permitting process.

My office received information suggesting the Missouri Department of Natural Resources (DNR) and the Clean Water Commission may be exceeding their authority in requesting certain information as part of the DNR Water Protection Program permitting process. I have conducted an initial review of the matter under the authority granted in Section 29.221, RSMo.

The purpose of this review was to determine whether DNR and the Clean Water Commission have exceeded their statutory and regulatory authority in requesting confidential and proprietary financial information relating to the capitalization and assets of a company acting as a "continuing authority," as the term is used in 10 CSR 20-6.010. Public disclosure of private financial information requested during the permitting process may impact the competitiveness of businesses both in Missouri and in other states. DNR has not requested or required such financial documentation from any facility applying for a permit in the past, but had indicated a change in process in response to a Clean Water Commission decision issued earlier this year.

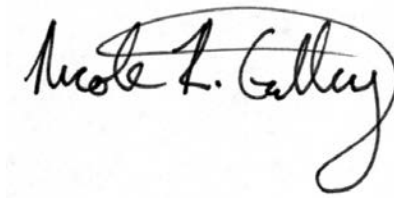
On November 21, 2016, my office issued a letter to DNR to request information related to the alleged additional requirements and to determine how DNR intends to keep private financial and tax information confidential, if collected. The response, dated December 16, 2016, referred my office to the Missouri Court of Appeals, Western District, decision *In the Matter of Trenton Farms v. Missouri Department of Natural Resources*, WD79527, slip opinion pages 11-16, (November 22, 2016). A copy of this decision is attached for your reference. The response further stated, "The Department intends to abide by this decision. In the event of a future rule change on these topics, the concerns you described about financial information will be taken into account during the rulemaking process."

Based on the information received, DNR is currently not exceeding its statutory and regulatory authority. The response, however, does raise concerns that must be addressed. Government requests for private financial information require close scrutiny and assurances that the data will remain confidential and not subject to public disclosure.

If DNR intends to require certain financial information for regulatory and permitting purposes, those proprietary financial and business records could become subject to public disclosure. Under the Missouri Sunshine Law, public records are open and subject to disclosure absent a specific exemption. Permit information is public information subject to disclosure with limited exceptions. No confidentiality

provision in law defines financial information as confidential with regard to permits issued by DNR. Public disclosure of certain proprietary information has the potential to endanger the competitiveness of private business owners or operators, if made public. It also raises the question of whether the government is prepared to properly protect sensitive and proprietary information from unnecessary disclosure and potentially damaging breaches of privacy.

Before implementing these newly proposed procedures, I recommend the department work with the General Assembly to ensure private financial and proprietary business information is properly protected. Government agencies must exercise great care when implementing new regulations that impact Missouri businesses and industry, including the agriculture industry. Careful consideration must be taken to ensure new regulatory policies advance the public interest and do not harm critical sectors of our economy through reckless or overly burdensome regulations.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

Enclosure



**In the
Missouri Court of Appeals
Western District**

IN THE MATTER OF: TRENTON)	
FARMS RE, LLC)	
Permit No. MOGS10500,)	WD79527
)	
Appellant,)	OPINION FILED:
)	November 22, 2016
v.)	
)	
MISSOURI DEPARTMENT OF)	
NATURAL RESOURCES, HICKORY)	
NEIGHBORS UNITED, INC.,)	
)	
Respondent.)	

Appeal from the Clean Water Commission

Before Division Four: Mark D. Pfeiffer, Chief Judge, Presiding, Karen King Mitchell,
Judge and Gary D. Witt, Judge

Trenton Farms RE, LLC ("Trenton Farms") appeals the decision of the Missouri Clean Water Commission ("CWC") to deny Trenton Farms' permit application for a swine concentrated animal feeding operation ("CAFO") to be operated in Grundy County, Missouri. Trenton Farms raises five points of error on appeal, four alleging that the CWC erred in its denial because it misinterpreted the permit requirements of 10 CSR 20-

6.010(3)¹ causing the regulation to be misapplied and resulting in violations of Trenton Farms' constitutional rights. Trenton Farms' final point alleges that the CWC erred in finding that Trenton Farms' application did not adequately prove that the CAFO operation was protected from a one hundred-year flood as required by 10 CSR 20-8.300(5)(A).² We affirm.

Factual and Procedural Background

In Missouri, the Clean Water Act ("CWA") is implemented by two administrative agencies: the Missouri Department of Natural Resources ("DNR") and the CWC. The DNR is Missouri's "general environmental agency charged with administering the programs assigned to the Department relating to environmental control and the conservation and management of natural resources." *Mo. Soybean Ass'n v. Mo. Clean Water Comm'n*, 102 S.W.3d 10, 19 (Mo. banc 2003) (internal quotation omitted). The CWC is charged by statute with a number of duties and granted numerous powers including:

(1) the "general supervision of the administration and enforcement" of the Missouri Clean Water Law, sec. 644.026.1(1); (2) developing "comprehensive plans and programs for the prevention, control and abatement of new or existing pollution of the waters of the state." sec.644.026.1(2); (3) identifying waters of the state and prescribing water quality standards for them, sec.644.026.1(7); (4) the power to promulgate rules and regulations to enforce and implement Missouri's Clean Water Law, and the duties imposed on the state by the CWA, sec.644.026.1(8); and (5) the power to exercise all incidental powers necessary to carry out the purposes of Missouri's Clean Water Law, and to assure that the State of Missouri complies with the CWA, sec.644.026.1(16).

¹ All regulatory references to 10 CSR 20-6 are to the Missouri Code of State Regulations (2014) unless otherwise indicated.

² All regulatory references to 10 CSR 20-8 are to the Missouri Code of State Regulations (2012) unless otherwise indicated.

Id. at 19 n.15. The CWC's "domicile" is within the DNR. Section 644.021.1. DNR reviews all applications for CAFOs and determines eligibility for permits. 10 CSR 20-6.010(2). Such decisions, however, are reviewed by the CWC and the CWC acts as the final deciding agency regarding whether an applicant will or will not receive a permit. Section 644.026.1.

On April 6, 2015, Trenton Farms applied to the DNR³ for a state no-discharge operating permit for a swine CAFO ("Permit Application"). The Permit Application was reviewed by DNR employee Greg Caldwell ("Caldwell"). Caldwell determined that the Permit Application met all statutory and regulatory requirements and, on August 12, 2015, DNR issued Permit MOGS10500 ("Permit") to Trenton Farms to operate the requested swine CAFO.

Hickory Neighbors United, Inc. ("Hickory Neighbors") filed a Petition for Appeal of the Permit to the Administrative Hearing Commission ("AHC") on August 28, 2015, and a subsequent Amended Petition for Appeal ("Amended Petition") on September 22, 2015. Trenton Farms intervened in the AHC action, and the AHC held a hearing on Hickory Neighbors' Amended Petition on October 23, 2015. The AHC found that DNR met its burden of showing that the operating permit was issued in accordance with applicable laws and recommended that the grant of the Permit be upheld ("Recommended Decision"). The Recommended Decision was transmitted to the CWC on January 4, 2016. The CWC heard additional oral argument from the parties on February 17, 2016, issuing

³ The DNR staff in the Division of Environmental Quality, Water Protection Program, are responsible for administering the Missouri Clean Water Law, including issuing CAFO permits. 10 CSR 20-1.010(3). The CWC, which is ultimately charged with conserving Missouri's waterways, maintains oversight over the permits and is the agency ultimately responsible for the final granting or denying of a CAFO permit. 10 CSR 20-1.020.

its Final Decision on February 24, 2016 ("Final Decision"). The CWC disagreed with the ultimate findings of the AHC, instead finding that the Permit was not appropriately and lawfully issued to Trenton Farms because DNR failed to determine that Trenton Farms was a "continuing authority," as required by 10 CSR 20-6.010(3), and further that DNR failed to adequately determine that the swine CAFO would be protected in the event of a one hundred-year flood in accordance with 10 CSR 20-8.300(5)(A). The Final Decision by the CWC overruled the DNR's grant of the Permit to Trenton Farms. This appeal followed.

Standard of Review

Section 644.051.6 provides that decisions by the CWC shall be subject to appellate review pursuant to chapter 536 of the Missouri Administrative Procedure Act. Section 536.140.2 provides that, on review, this Court may determine whether the action of the agency: (1) violates a constitutional provision; (2) is in excess of statutory authority or jurisdiction of the agency; (3) is unsupported by competent and substantial evidence upon the whole record; (4) is unauthorized by law; (5) is made upon unlawful procedure or without a fair trial; (6) is arbitrary capricious or unreasonable; or (7) involves an abuse of discretion.

We give deference to the agency's findings of fact so long as they are supported by competent and substantial evidence. *Bd. of Educ. of City of St. Louis v. Mo. State Bd. of Educ.*, 271 S.W.3d 1, 7, 12 (Mo. banc 2008). As to questions of law, this Court conducts its review *de novo*. *Albanna v. State Bd. of Registration for Healing Arts*, 293 S.W.3d 423, 428 (Mo. banc 2009); *ITT Commercial Fin. Corp. v. Mid-America Marine Supply Corp.*, 854 S.W.2d 371, 376 (Mo. banc 1993).

Discussion

I.

As it is dispositive of this appeal, we will first discuss Trenton Farms' final Point Relied On. In Point Relied On V, Trenton Farms alleges that the CWC erred in denying the Permit in that "there was no evidence in the record that the barns were not protected from inundation by the 100-year flood."⁴

The Manure Storage Design Regulations, which apply to this type of CAFO operation, require that "[m]anure storage structures, confinement buildings, open lots, composting pads, and other manure storage areas in the production area shall be protected from inundation or damage due to the one hundred-year flood." 10 CSR 20-8.300(5)(A). This protection may be accomplished by constructing all listed sites above the one hundred-year flood plain or by including with the permit application certification from an engineer that all relevant sites are protected.

Trenton Farms argues that there was sufficient evidence presented to the CWC to support a conclusion that the manure management barns of the CAFO were adequately

⁴ We agree with Hickory Neighbors that, as drafted, the Point Relied On incorrectly states the burden of proof. It was not the burden of Hickory Neighbors or the CWC to show that there was "no evidence" that the barns were "not protected" but rather the regulations require that a permit applicant and the DNR bear the burden of affirmatively proving that certain portions of the CAFO facility are protected against a one hundred-year flood. *See* 10 CSR 20-8.300(5)(A). Despite the wording of the Point Relied On, Trenton Farms is ultimately raising a challenge to the CWC's finding that the engineer's certificate filed with the Permit Application was insufficient to meet the burden of Trenton Farms and the DNR in demonstrating that the CAFO operation was adequately protected. Thus, we need not enter into a detailed discussion of the burden of proof applicable to each of the parties.

We further note that Hickory Neighbors' Amended Petition challenged the validity of the Permit because Trenton Farms failed to comply with the requirements of Executive Order 98-03, as opposed to 10 CSR 20-8.300(5)(A). The AHC's Recommended Decision held that 10 CSR 20-8.300(5)(A) was promulgated for the purposes of implementing Executive Order 98-03 to CAFOs. As such, the AHC interpreted Hickory Neighbors' allegation that Trenton Farms failed to meet the requirements of Executive Order 98-03 as an allegation that Trenton Farms failed to meet the requirements of 10 CSR 20-8.300(5)(A). The CWC appears to have adopted this interpretation and Trenton Farms does not raise the issue on appeal. Thus, we too review the parties arguments as they relate to the properly adopted rule 10 CSR 20-8.300(5)(A).

protected from a one hundred-year flood. First, Trenton Farms relies on the testimony of Caldwell who reviewed the Permit Application on behalf of DNR. Caldwell testified that Trenton Farms submitted a map with the application showing the flood plain but it was difficult to determine where the buildings would be placed on that map. He also noted that the flood boundary map crossed topographical lines, which prevented him from determining whether the CAFO was located within flood boundary lines based strictly on the map submitted. As a result, he obtained a FEMA map and a soil data map to determine that the CAFO was not actually located within the one hundred-year flood plain. He testified that his determination was based solely on the three additional maps that he obtained and which were entered into evidence by DNR. Unfortunately, as noted by Hickory Neighbors, the maps identified and entered into evidence by the DNR and allegedly relied upon by Caldwell are from counties other than Grundy.⁵ Ultimately, although the AHC found that Caldwell was credible, it found that his conclusions merely went to the issue of flooding of the soil and were not actually dispositive of the issue of whether the CAFO project was located in a FEMA Zone A floodplain.

⁵ It appears that these maps are wholly unrelated to the Grundy CAFO site and call into question Caldwell's testimony. When the discrepancy was pointed out to Caldwell he responded that he did not know why the maps were from different counties and that the "map unit [he] clicked on in there was in Grundy County." It was possible that map was part of a series that included multiple counties. Caldwell testified that he used topographic lines as well as the "identify tool" that was part of the map to confirm that it was in Grundy County as well as the map numbers which corresponded to Grundy County. It is not clear whether Caldwell incorrectly relied on maps from surrounding counties or the wrong maps were printed and submitted as exhibits. The AHC accepted the map exhibits as offered subject to objection from Hickory Neighbors noting that "[the Commission's] initial thought is that he has testified that he relied on those documents and, therefore, for what they are worth," they are admitted. We find that we need not resolve the discrepancy between the locations of the maps, however, because the AHC found--and the CWC agreed--that Caldwell's testimony was not dispositive of the ultimate issue of floodplain location.

Grundy County Emergency Management Director, Glen Briggs ("Briggs"), submitted an affidavit in support of Trenton Farms stating that he concluded that the CAFO building site is not located in the FEMA Zone A floodplain--also known as a one hundred-year floodplain. The AHC, however, noted that the orientation of the buildings on the map examined by Briggs did not match the building site plan submitted by Trenton Farms and, thus, found his conclusions to be irrelevant.

The final source of evidence that the CAFO was adequately protected from a one hundred-year flood came from the certification of the Permit Application. As part of the application, Todd Van Maanen ("Van Maanen"), a Missouri licensed civil engineer, certified that, to the best of his knowledge, information and belief, "the manure management and containment system is designed in general conformance with applicable laws, codes, and regulations as of the date of signing." The AHC found that Caldwell and DNR were entitled to rely on this certification to find that the CAFO complied with 10 CSR 20-8.300(5)(A) and ultimately found this certification was sufficient evidence for DNR to conclude that Trenton Farms complied with the regulation.

The CWC agreed with the AHC's findings as to the testimony of Caldwell and Briggs⁶ but disagreed as to the AHC's conclusions regarding the engineer's certification. While the AHC interpreted the certification to mean that Van Maanen certified the CAFO buildings were protected from inundation or damage due to a one hundred-year flood, the

⁶ The CWC also agreed with the AHC's finding that the testimony of Hickory Neighbors' engineer, Kathy Martin, did not conclusively establish that the proposed CAFO buildings were located in the one hundred-year floodplain. Since the CWC ultimately found that Trenton Farms had no evidence to show compliance with 10 CSR 20-8.300(5)(A), and it bore the burden of showing compliance, we need not discuss Martin's testimony.

CWC found that his certification did not go nearly so far. The CWC found that the engineer's certification and seal were attached only to the documents titled "Gestation Facility Manure Productions & Storage Calculations, Farrowing Facility Manure Production & Storage Calculations, and Gilt Development Facility Manure Production & Storage Calculations." Thus, the engineer's certification could only be interpreted to state that Van Maanen certified that the Production and Storage Calculations of the manure management and containment system complied with the applicable laws, codes and regulations. There was no evidence to suggest that Van Maanen intended to certify the compliance of all CAFO buildings and operations location as to the one hundred-year floodplain.

Further, as Hickory Neighbors notes in its brief, the certification only states that the certification applies to "the manure management and containment system." 10 CSR 20-8.300(5)(A) requires evidence that the manure storage structures be protected, but also that there be protection for "confinement buildings, open lots, composting pads, and other manure storage areas in the production area." Even were we not mandated to give deference to the CWC's findings of fact regarding the breadth of the certification, we note that there is no evidence in the Petition Application to support a finding that Trenton Farms complied with the flood protection for these other areas or, in the alternative, evidence that this particular swine CAFO did not include such other areas and thus no certification of protection was needed. Trenton Farms repeatedly argues that there is nothing in the record that would indicate that the certification did *not* apply to the design of the entire facility, thus the CWC was erroneous in deciding that it did not meet the requirements of 10 CSR

20-8.300(5)(A). This argument ignores the plain language of the engineer's certification, which states it only applies to the "manure management and containment system," making no mention of the other sites required to be protected under the regulation. Without some evidence or testimony that these other sites were similarly protected or not part of the CAFO, the CWC, as the finder of fact, was free to find the engineer's certification did not fully comply with the regulations.

We give deference to the CWC's findings of fact and will overturn their judgment only if it is unsupported by competent and substantial evidence; is arbitrary, capricious, unreasonable, or involves an abuse of discretion; or the decision is unauthorized by law. *M.A.H. v. Mo. Dept. of Soc. Servs.*, 447 S.W.3d 694, 697 (Mo. App. E.D. 2014). It was not unreasonable for the CWC to make the same findings as the AHC that the testimony presented regarding the floodplain was insufficient to establish that the CAFO would be adequately protected. The maps relied on by Caldwell were suspect because they were identified as representing other irrelevant counties, and the map relied on by Briggs had the buildings oriented differently than the site plan submitted by Trenton Farms. Further, although Trenton Farms interprets the engineer's certification by Van Maanen differently, the CWC's interpretation was not arbitrary, capricious or unreasonable. The clear language of the certification states that "manure management and containment system" conforms to applicable laws, codes and regulations, but makes no mention of the other areas and structures listed in 10 CSR 20-8.300(5)(A). It was also reasonable for the CWC to question why the certification was only attached to the manure containment calculations and not the Permit Application as a whole, if it was indeed intended to apply to the entire Permit--

including areas beyond the manure containment system. Under section 327.411.1, the professional seal only applies to "all documents sealed by the licensee." Given that the seal was only affixed to a certain subset of documents, it is reasonable for the fact finder to believe it was not intended to provide a certification to the entire permit. Further, subsection 3 of 327.411 states that a professional licensee may affix his seal "specifying the particular technical submissions, or portions thereof, intended to be authenticated by the seal, and disclaiming any responsibility for all other technical submissions relating to or intended to be used for any part or part of the [project]." In this case, the seal specifically stated it applied to the "manure management and containment center." While it did not expressly disclaim the rest of the Permit Application, it was reasonable for the CWC to interpret this language as an intent by the engineer to limit his certification pursuant to section 327.411.3. How to interpret the certification was soundly within the CWC's discretion. Under these circumstances, this Court cannot overturn the factual determination of the CWC.

Because we find that the CWC did not err in determining that Trenton Farms' Permit Application failed to adequately establish that it was in compliance with 10 CSR 20-8.300(5)(A), whether the CWC properly interpreted the requirements for being a "continuing authority" is immaterial. However, because the record indicates that Trenton Farms may still retain the right to seek a CAFO permit from the DNR, we briefly address the issues raised in the first four points of Trenton Farms' brief.

II.

Trenton Farms' first four points on appeal challenge the finding by the CWC that Trenton Farms did not present evidence in its Permit Application that it was a "continuing authority" as required by 10 CSR 20-6.010(3). It argues that this finding was arbitrary, capricious, unreasonable, and an abuse of discretion; was contrary to the law; was constitutionally invalid because it was void for vagueness as applied to Trenton Farms; and was constitutionally invalid because it violated Trenton Farms' right to due process.

"Administrative rules and regulations are interpreted under the same principles of construction as statutes." *McGough v. Dir. of Revenue*, 462 S.W.3d 459, 462 (Mo. App. E.D. 2015). Statutory interpretation is a matter of law which this Court reviews *de novo*. *Albanna*, 293 S.W.3d at 428.

Section 10 CSR 20-6.010(3) provides:

All applicants for construction permits or operating permits shall show, as part of their application, that a permanent organization exists which will serve as the continuing authority for the operation, maintenance, and modernization of the facility for which the application is made. Construction and first-time operating permits shall not be issued unless the applicant provides such proof to the department and the continuing authority has submitted a statement indicating acceptance of the facility.

"Continuing authority" is not a defined term in the regulations. *See* 10 CSR 20-2.010. Nor does it appear that the term has ever been interpreted by a Missouri court. In the absence of a given definition in a regulation, the word or term will be given its plain and ordinary meaning as derived from a dictionary. *Teague v. Mo. Gaming Comm'n*, 127 S.W.3d 679, 686 (Mo. App. W.D. 2003). "The interpretation and construction of a statute by an agency charged with its administration is entitled to great weight." *Beverly Enters.-Mo. Inc. v.*

Dept. of Soc. Servs., Div. of Med. Servs., 349 S.W.3d 337, 352 (Mo. App. W.D. 2008).

"However, it is inappropriate to defer to an agency's interpretation of its own regulation that in any way expanded upon, narrowed, or was otherwise inconsistent with the plain and ordinary meaning of the words used in the regulation." *Id.* Regulations should be interpreted reasonably, and absurd interpretations should not be adopted. *Dep't of Soc. Servs. v. Senior Citizens Nursing Home Dist. of Ray Cty.*, 224 S.W.3d 1, 9 (Mo. App. W.D. 2007).

The testimony regarding this Permit revealed that, historically, DNR interpreted the regulations to require only a showing that an entity was a permanent organization to satisfy the "continuing authority" requirements. Financial information has never been required. This was true for both new permits and permit renewals. At the Permit hearing before the AHC, Caldwell testified as follows:

[Trenton Farms]. Mr. Caldwell, let's talk about the application and the Department's interpretation of the continuing authority regulations and whether or not the finances of each applicant for a permit are relevant. I believe it's your testimony that the Department does not look at the financial wherewithal of any applicants?

[Caldwell]. No.

Q. So all industrial applicants that submit applications for construction permits or operating permits, the Department has never looked at the financial wherewithal or investigated it or asked them to submit any information concerning their finances to the Department of Natural Resources.

A. Not that I'm aware of.

Q. And they never asked any Concentrated Animal Feeding Operation or CAFO to submit any of their balance sheets or other financial information to qualify as a continuing authority?

A. Not that I'm aware of.

Q. Even if they did, there are no regulations in the Missouri Clean Water Commission regulations that would instruct you or any other person at the Department of Natural Resources how to evaluate any financial information that's been submitted?

A. No.

Q. And would it be fair to say that any permit that comes up for reissuance after a five-year permit has expired and somebody has to apply to renew a permit, the Department has never asked any industrial or CAFO for any financial information when they renew a permit?

A. No.

Given its historical application, interpreting "continuing authority" to require financial disclosures was arbitrary as applied to Trenton Farms. CWC cannot change interpretations of "continuing authority" without some notice or other action. *See* section 536.010(4).⁷ There is no evidence to suggest that this was an erroneous interpretation on behalf of the DNR or a particular employee of the DNR. To the contrary, recent discussion of changes to the regulations reveals a continued acceptance by the DNR and, therefore, the CWC that financial documents are not required submissions to prove "continuing authority." On September 15, 2016, DNR issued an Order of Rulemaking for 10 CSR 20-6.300 on behalf of the CWC and DNR which included comments to the rulemaking. Comment four stated:

Mr. Stephen Jeffery proposed additional language to 10 CSR 20-6.300(3)(E) that reads, "Balance sheet and income statement for the applicant prepared

⁷ The required filings to prove "continuing authority" may not rise to the level of a rule under section 536.010(6), because there is no evidence that the interpretation was a printed or published. All evidence, however, indicates that prior to the Final Judgment in this case, all permit seekers attempting to prove they were a "continuing authority" only needed to show proof that they were a permanent entity. The CWC cannot abandon this interpretation and require substantially more and different documentation of Trenton Farms without going through proper procedures to amend its rules. Section 536.021.

by a certified public accountant showing the applicant has sufficient assets to serve as a continuing authority in accordance with 10 CSR 20-6.010(3)." This would require that any applicant for a CAFO operating permit submit a balance sheet and an income statement prepared by a certified public accountant as part of its application package. The purpose of requiring these commonly utilized financial documents is for the applicant to provide "proof" that it is financial viable to operate, maintain, and modernize its proposed CAFO facility, as required by the continuing authority rule, 10 CSR 20-6.010(3).

Orders of Rulemaking from Department of Natural Resources, 2016 MO REG TEXT 418316

(NS) (Sept. 15, 2016). In response, the DNR stated:

No changes were made as a result of this comment. Continuing authority requirements are contained in 10 CSR 20-6.010. Discussion of any proposed revisions to continuing authority requirements would need to be addressed during stakeholder meeting(s) for the revision of that regulation.

Id. Had a requirement for such balance sheets or financial information already existed in 10 CSR 20-6.010(3), one would have expected the DNR to acknowledge such. Instead, the DNR recognized that this would be a revision to the existing requirements, requiring time for comment and revision of that particular regulation. While it appears that these comments were made by the DNR, they were done on behalf of the CWC, just as the DNR has been responsible for the interpretation of the submission requirements of 10 CSR 20-6.010(3) on behalf of the CWC. Hickory Neighbors asks us to give deference to the CWC's new interpretation of the filing requirements to prove "continuing authority," arguing that the prior interpretation was given by DNR not CWC. This, however, ignores the actual agency structure of DNR and CWC, in which DNR has been given the authority by CWC to both review and issue permits and promulgate rules and regulations governing permits, both on behalf of the CWC. *See Mo. Soybean Ass'n*, 102 S.W.3d at 19. The CWC

maintains oversight of these functions but it cannot choose to allow rules and regulations to be promulgated, issued, and implemented for extended periods of time until the CWC chooses to arbitrarily overturn the DNR's interpretation with no warning to the public or DNR and DNR agents, which the CWC has tasked with reviewing permits. Further, it would be disingenuous to then publish the original interpretation of the regulation even after it supposedly decided on a new and expanded interpretation.

Further, to interpret the statute to require a permit applicant to submit the financial records of the "continuing authority" entity reads an additional requirement into the regulation that is not currently present. As written, 10 CSR 20-6.010(3) requires that a permit application "show, as part of their application, that a permanent organization exists which will serve as the continuing authority *for* the operation, maintenance, and modernization of the facility for which the application is made." (emphasis added). "For" has a number of accepted definitions but it is generally a function word used to indicate actions such as "preparation toward;" "in order to be, become or serve as;" "in order to bring about or further;" "with the purpose or object of;" "prerequisite to." WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY UNABRIDGED 886 (1993). In this case, it merely identifies the purpose that the continuing authority will serve. While having positive financials may ultimately be required to fulfil that function, evidence of such is not required to *identify* the entity which will serve the function--which is all the regulation requires. Hickory Neighbors and the CWC's interpretation asks this Court to transform "for" into "and" to require not only the identification of the "continuing authority" entity but also evidence that such entity also has the current financial ability to fulfill its future purpose.

The CWC did not have the authority to simply reinterpret 10 CSR 20-6.010(3) in a way that would effectively drastically modify its terms. *See Matteson v. Dir. of Revenue*, 909 S.W.2d 356, 360 (Mo. banc 1995). An agency cannot change the plain meaning of a term used simply because it does not reflect the *intent* of the regulation. *See Stiers v. Dir. of Revenue*, 477 S.W.3d 611, 615-16 (Mo. banc 2016) (giving plain meaning to the word "and" despite agency's claim that doing so did not reflect the intent behind the regulation). If an agency desires such a change, it must be done through amending the regulation. *Id.* at 616.

Because we find that CWC's interpretation of "continuing authority" is arbitrary and contrary to the plain and ordinary meaning of the regulation, we need not enter into a review of Trenton Farms' constitutional challenges to CWC's interpretation to finally decide this point.


As noted above, however, because Trenton Farms failed to adequately demonstrate that the entire swine CAFO operation was protected from a one hundred-year flood, as required by 10 CSR 20-8.300(5)(A), the CWC did not err in denying Trenton Farms' Permit Application.

Motion for Attorneys' Fees on Appeal

Pursuant to Local Rule XXIX, Trenton Farms filed with this Court a Motion for Attorney's Fees and Expenses on appeal. We elected to take the motion with the case. The motion requested that, in the event Trenton Farms prevailed on appeal, this Court award Trenton Farms reasonable attorneys' fees and expenses. Given this Court's affirmance of the Final Decision, Trenton Farms' Motion for Attorney's Fees and Expenses is denied.

Conclusion

We find that the CWC did not err in finding that Trenton Farms' Permit Application did not meet the requirements of 10 CSR 20-8.300(5)(A) and, therefore, Trenton Farms was not entitled to receive a permit for its purposed swine CAFO. We affirm.



Gary D. Witt, Judge

All concur



NICOLE GALLOWAY, CPA

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the state's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. Those entities were:

1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; the Conservation Employees' Insurance Plan; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan which represent 77 percent of the assets and 11 percent of the revenues of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund which are both major funds and represent 17 percent of the assets and 65 percent of the revenues of the business-type activities.

3. The aggregate discretely presented component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation agency funds which represent 94 percent of the assets and 95 percent of the additions of the fiduciary funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Conservation Employees' Insurance Plan, the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and the Missouri Agricultural and Small Business Development Authority, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions on the governmental activities and the General Fund opinion units and our unmodified opinions on all remaining opinion units.

Basis for Qualified Opinions on the Governmental Activities and the General Fund

We were not allowed access to tax returns and related source documents for income taxes. Access was denied based on the Department of Revenue's interpretation of the decision rendered by the Missouri Supreme Court in the case of *Director of Revenue v. State Auditor* 511 S.W.2d 779 (Mo. 1974). Approximately 28 percent of governmental activity revenues and 33 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded.

Qualified Opinions

In our opinion, based on our audit and the reports of other auditors, and except for the possible effects of the matter described in the "Basis for Qualified Opinions on the Governmental Activities and the General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the state of Missouri, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund excluding the General Fund, and the aggregate remaining fund information of the state of Missouri, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

For the fiscal year ended June 30, 2016, the state of Missouri reclassified the Veterans' Commission Capital Improvement Fund from a capital projects fund to a special revenue fund. See Note 2 and Note 18 to the financial statements for further information. Our opinions are not modified with respect to this matter.

As discussed in Note 18 to the financial statements, the 2015 financial statements have been restated to correct misstatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; the Budgetary Comparison Schedule-General Fund, Major Special Revenue Funds; the Schedule of Changes in Net Pension Liability and Related Ratios; the Schedule of Proportionate Share of the Net Pension Liability; and the Schedule of State Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The supplementary information, as listed in the table of contents, and the other information, which consists of the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

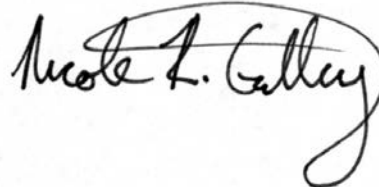
The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, and except for the possible effects on the supplementary information of the matter discussed in the "Basis for Qualified Opinions on the Governmental Activities and the General Fund" paragraph, the supplementary information, as listed in the table of contents, is fairly stated in all material respects, in relation to the basic financial statements as a whole.

The information in the introductory and statistical sections has not been subjected to the audit procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, our report dated December 30, 2016, on our consideration of the state of Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters is issued under separate cover in the Single Audit Report. The purpose of our report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Our report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Missouri's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

December 30, 2016



NICOLE GALLOWAY, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly
and
George Lombardi, Director
Department of Corrections
Jefferson City, Missouri

To address our responsibilities of Section 217.595.6, RSMo, we have audited the revenues and the expenditures of the Working Capital Revolving Fund, as part of our audit of the state's Comprehensive Annual Financial Report (CAFR), as of and for the year ended June 30, 2016, and have issued our report (Report No. 2016-146), dated December 30, 2016. The state's CAFR is comprised of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information (including the Working Capital Revolving Fund) of the state of Missouri, and the related notes to the financial statements.

Our report expressed qualified audit opinions on the governmental activities and the General Fund opinion units and unmodified opinions on the business-type activities, the aggregate discretely presented component units, each major fund excluding the General Fund, and the aggregate remaining fund information (including the Working Capital Revolving Fund) opinion units of the state of Missouri, as of June 30, 2016.

No findings resulted from our audit procedures related to the Working Capital Revolving Fund.

Nicole R. Galloway, CPA
State Auditor

December 2016
Report No. 2016-147